

**EXHIBIT 9 to the Declaration Of Laura W. Sawyer In Support Of Debtors' Motion For
An Order Excluding The Testimony Of Daniel Curry And Jeffrey Hasterok**

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<p>UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK</p> <p>In re: LEHMAN BROTHERS HOLDINGS,) Chapter 11 INC., et al.,) Case No. 08-13555 (JMP)) Debtors,) (Jointly Administered)</p> <p>30(b)(6) DEPOSITION OF BOB COOK December 6, 2013 Seattle, Washington</p>	<p>1 BOB COOK 2 EXAMINATION INDEX 3 EXAMINATION BY: PAGE NO. 4 Ms. Sawyer 5 5 6 EXHIBIT INDEX 7 EXHIBIT NO. DESCRIPTION PAGE NO. 8 Cook Exhibit 1 10-page Rule 30(b)(6) Deposition Notice 7 9 10 Cook Exhibit 2 2-page TSA Board of Directors Special Meeting Minutes dated 5/3/12 79 11 12 Lehman Exhibit 2 40-page Reserve Fund Agreement; SFG_000649-688 19 13 Cook Exhibit 3 1-page email chain ending 11/7/08 at 7:48 a.m.; USBANK000724 93 14 Cook Exhibit 4 2-page email chain ending 3/31/11 at 11:10 a.m.; TSA_024540-541 107 15 16 17 Lehman Exhibit 4 4-page memorandum to Mr. Herman, et al., from Mr. Reich dated 9/25/08; TSA_013248-325 30 18 Cook Exhibit 5 3-page email chain ending 6/20/11 at 11:51 a.m.; USBANK000686-688 110 19 Cook Exhibit 6 4-page memo to Mr. Cook and Ms. Johnson from Mr. Shapiro dated 11/16/11; TSA_038481-484 114 20 21 22 23 24 Lehman Exhibit 8 4-page email chain and attachment ending 11/17/08 at 10:54 a.m.; TSA_024147-150 34 25</p>
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<p>1 BOB COOK 2 APPEARANCES 3 For Debtors: 4 LAURA W. SAWYER, ESQ. 5 JONES DAY 6 222 East 41st Street 7 New York, NY 10017-6702 8 9 For Washington Tobacco Settlement Authority: 10 KYMBERLY K. EVANSON, ESQ., 11 PAUL J. LAWRENCE, ESQ. 12 PACIFICA LAW GROUP 13 1191 2nd Avenue 14 Suite 2100 15 Seattle, WA 98101-2945 16 17 18 19 20 21 22 23 24 25</p>	<p>1 BOB COOK 2 EXHIBIT INDEX (Continuing) 3 EXHIBIT NO. DESCRIPTION PAGE NO. 4 Lehman Exhibit 12 6-page Declaration of Peter Shapiro; LBHI_WTSA_00016384-389 46 5 6 Lehman Exhibit 15 3-page memo to Mr. Cook from Messrs. Shapiro and Vergara dated 4/21/09; TSA_021616-618 56 7 8 Lehman Exhibit 17 1-page email to Mr. Herman, et al., from Mr. Cook dated 6/3/09; TSA_008827 97 9 10 Lehman Exhibit 19 3-page memo to Mr. Cook from Messrs. Shapiro and Vergara dated 9/10/09; LBHI_WTSA_00016814-816 69 11 12 13 Lehman Exhibit 20 91-page Proof of Claim 76 14 15 16 Lehman Exhibit 26 2-page email to Mr. Cook from Mr. McCarthy dated 3/04/11; TSA_002726-727 103 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 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1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014</p>

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<p>1 BOB COOK</p> <p>2 BE IT REMEMBERED that on Friday,</p> <p>3 December 6, 2013, at 1191 2nd Avenue, Seattle,</p> <p>4 Washington, at 9:30 a.m., before Cindy M. Koch, Certified</p> <p>5 Court Reporter, RPR, CRR, CLR, appeared BOB COOK, the</p> <p>6 witness herein;</p> <p>7 WHEREUPON, the following proceedings</p> <p>8 were had, to wit:</p> <p>9</p> <p>10 <<<<<< >>>>>></p> <p>11</p> <p>12 BOB COOK, having been first duly sworn</p> <p>13 by the Certified Court Reporter,</p> <p>14 testified as follows:</p> <p>15</p> <p>16 EXAMINATION</p> <p>17 BY MS. SAWYER:</p> <p>18 Q Good morning, Mr. Cook.</p> <p>19 A Good morning.</p> <p>20 Q I wanted to go through a few instructions before we get</p> <p>21 started, just to make sure we're all on the same sheet of</p> <p>22 music.</p> <p>23 A Okay.</p> <p>24 Q There's a court reporter here today who's going to be</p> <p>25 taking down everything we say, so we need to try to speak</p>	<p>1 BOB COOK</p> <p>2 Q Okay. This is your first deposition ever?</p> <p>3 A First deposition, yes.</p> <p>4 Q Okay. And do you understand that you've been designated</p> <p>5 as a -- what we call a 30(b)(6) witness, to testify on</p> <p>6 behalf of the Tobacco Settlement Authority of the State</p> <p>7 of Washington?</p> <p>8 A Yes, I do.</p> <p>9 Q Okay. And if I call the Tobacco Settlement Authority the</p> <p>10 "TSA," will you understand what I'm referring to?</p> <p>11 A I certainly will.</p> <p>12 Q Be sure and ask me if you need any clarifications on</p> <p>13 anything.</p> <p>14 A Okay.</p> <p>15 (Exhibit No. 1 marked for</p> <p>16 identification.)</p> <p>17 Q (By Ms. Sawyer) The court reporter has handed you a</p> <p>18 document that's been marked as Cook 30(b)(6) Exhibit 1,</p> <p>19 and this appears to be a deposition notice from Lehman --</p> <p>20 sorry; just one second -- deposition notice from Lehman</p> <p>21 regarding a Rule 30(b)(6) deposition.</p> <p>22 Do you see that?</p> <p>23 A I do.</p> <p>24 Q And have you seen this document before?</p> <p>25 A I have.</p>
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<p>1 BOB COOK</p> <p>2 slowly and clearly for her so she can get what we're</p> <p>3 saying.</p> <p>4 A Okay.</p> <p>5 Q You also need to try to wait until I finish my question</p> <p>6 before you give an answer. Likewise, I'll try to wait</p> <p>7 until you finish your answer before I ask the next</p> <p>8 question.</p> <p>9 You'll need to answer my questions out loud. She</p> <p>10 can't take down a shake of the head or a nod.</p> <p>11 And if you don't understand a question I ask, please</p> <p>12 ask me to rephrase it or let me know that you don't</p> <p>13 understand it. I'll do my best to try to rephrase it in</p> <p>14 a way that you understand.</p> <p>15 A Okay.</p> <p>16 Q I want you to understand the questions I'm asking</p> <p>17 because, if you answer a question, I'm going to assume</p> <p>18 you understood what I meant.</p> <p>19 A Uh-huh.</p> <p>20 Q If you need a break at any time, either of you, just be</p> <p>21 sure and let me know. I will ask that you answer any</p> <p>22 pending questions before we take that break.</p> <p>23 A Okay.</p> <p>24 Q And have you been deposed before?</p> <p>25 A No.</p>	<p>1 BOB COOK</p> <p>2 Q And did you review it in preparation for your deposition</p> <p>3 here today?</p> <p>4 A I have.</p> <p>5 Q And you've been designated as a 30(b)(6) witness on a few</p> <p>6 topics; correct?</p> <p>7 A That is correct.</p> <p>8 Q And let's look at those topics, which are next to the</p> <p>9 last page of the document, is where they start.</p> <p>10 My understanding is that you've been designated as</p> <p>11 the 30(b)(6) witness for Deposition Topic 1E, which is</p> <p>12 valuations of the reserve fund agreement prepared at any</p> <p>13 time, whether internally by you and/or by your advisors</p> <p>14 for any purpose.</p> <p>15 Is that consistent with your understanding?</p> <p>16 A Yes.</p> <p>17 Q And my understanding is that you've been designated as</p> <p>18 the 30(b)(6) witness on Topic 1F, which is all losses you</p> <p>19 report to have suffered as a result of the termination of</p> <p>20 the reserve fund agreement.</p> <p>21 Is that --</p> <p>22 A Yes.</p> <p>23 Q -- consistent with your understanding?</p> <p>24 A That's correct.</p> <p>25 Q I also have that you've been designated as the 30(b)(6)</p>

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<p>1 BOB COOK</p> <p>2 witness on Topic No. 6, which is communications with any</p> <p>3 person, including Swap Financial, PFM, Barclays, U.S.</p> <p>4 Bank, or any governmental body concerning the redemption</p> <p>5 of the bonds and all analyses and projections relating to</p> <p>6 an earlier scheduled redemption of the bonds.</p> <p>7 Is that correct?</p> <p>8 A Yes.</p> <p>9 Q I also have you designated in connection with Topic 11A,</p> <p>10 which starts, any strategies, plans, efforts, and/or</p> <p>11 actions taken by you or any of your advisors to mitigate</p> <p>12 your purported losses with respect to the reserve fund</p> <p>13 agreement, including your consideration of or entry into</p> <p>14 any replacement transactions, including proposals from</p> <p>15 any third party.</p> <p>16 Is that consistent with your understanding?</p> <p>17 A Yes.</p> <p>18 Q I also have you designated for 11B, which is your</p> <p>19 consideration of alternative investment options to</p> <p>20 maximum Washington TSA's return on the reserve fund.</p> <p>21 Is that consistent with your understanding?</p> <p>22 A Yes.</p> <p>23 Q I also had you designated on 11D, which is the monetary</p> <p>24 results of any such mitigation efforts.</p> <p>25 Is that consistent with your understanding?</p>	<p>1 BOB COOK</p> <p>2 Q Whose work product?</p> <p>3 A The -- TSA's.</p> <p>4 Q And whose notes were they?</p> <p>5 A In some cases they were -- primarily they were Kim</p> <p>6 Herman's.</p> <p>7 Q And those were his handwritten notes?</p> <p>8 A Yes.</p> <p>9 Q And those documents have not been produced in discovery</p> <p>10 because they're work product?</p> <p>11 A That is correct.</p> <p>12 Q And how many pages of notes did you look at?</p> <p>13 A In total?</p> <p>14 Q Yes.</p> <p>15 A A binder about the size of the binder that you have</p> <p>16 there.</p> <p>17 Q Just to clarify for the record --</p> <p>18 A I didn't count the pages.</p> <p>19 Q I'm asking --</p> <p>20 A That's a four-inch binder of typographically produced</p> <p>21 documents.</p> <p>22 Q I think you may have misunderstood my question. It</p> <p>23 probably wasn't clear, so let me try it again.</p> <p>24 How many pages of handwritten notes of Mr. Herman's</p> <p>25 did you review in preparation for your testimony here</p>
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<p>1 BOB COOK</p> <p>2 A Yes.</p> <p>3 Q Are you aware of whether you've been designated in</p> <p>4 connection with any of these other topics?</p> <p>5 A Not that I recall. I don't have a list in front of me,</p> <p>6 but --</p> <p>7 Q Okay. And what did you do to get ready to testify on</p> <p>8 behalf of Washington TSA on these topics?</p> <p>9 A I reviewed, to the best of my ability, the documents that</p> <p>10 were relevant to these topics.</p> <p>11 Q And did you collect those documents that you reviewed,</p> <p>12 yourself?</p> <p>13 A Counsel from the -- from the documents that we provided</p> <p>14 as part of the discovery process.</p> <p>15 Q So Counsel went through the documents that were collected</p> <p>16 and provided as part of the discovery process, and</p> <p>17 identified those that you needed to review?</p> <p>18 A That's correct.</p> <p>19 Q Did you do any independent investigation on your own,</p> <p>20 aside from the documents provided to you by Counsel?</p> <p>21 A I asked some questions of Counsel, and we did actually</p> <p>22 look at some other documents as well that seemed to be</p> <p>23 relevant.</p> <p>24 Q And what other documents did you look at?</p> <p>25 A Personal notes that were work product.</p>	<p>1 BOB COOK</p> <p>2 today?</p> <p>3 A I didn't count them. I would say maybe ten.</p> <p>4 Q Okay. And does Mr. Herman have a habit of taking notes?</p> <p>5 A Yes.</p> <p>6 Q And how does he keep his notes, if you know?</p> <p>7 A I don't know.</p> <p>8 Q Okay. You don't know if he keeps a notebook or keeps</p> <p>9 them on individual pieces of paper?</p> <p>10 A He took them on a -- pieces of paper from a small pad.</p> <p>11 Q Okay. And other than looking at the documents that your</p> <p>12 counsel put together for you, as well as some documents</p> <p>13 that weren't produced in discovery, did you look at any</p> <p>14 other documents to prepare for this deposition here</p> <p>15 today?</p> <p>16 A No.</p> <p>17 Q And did you -- you obviously met with Counsel to prepare</p> <p>18 for the deposition here today?</p> <p>19 A That's correct.</p> <p>20 Q And when did that happen?</p> <p>21 A Wednesday of this week.</p> <p>22 Q And how long did you meet with Counsel?</p> <p>23 A Approximately four hours, including lunch.</p> <p>24 Q And who was -- participated in that preparation session?</p> <p>25 A Kymberly.</p>

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<p>1 BOB COOK</p> <p>2 Q Was there anyone else in attendance?</p> <p>3 A Not during the preparation portion.</p> <p>4 Q Did other --</p> <p>5 A There was at lunchtime.</p> <p>6 Q Thank you.</p> <p>7 And did anyone dial in or participate in the</p> <p>8 preparation by phone?</p> <p>9 A No.</p> <p>10 Q Did you make any phone calls to ask any questions of</p> <p>11 anyone?</p> <p>12 A No.</p> <p>13 Q And other than meeting with Counsel on Wednesday for</p> <p>14 approximately four hours, did you discuss the 30(b)(6)</p> <p>15 topics on which you've been designated with anyone else</p> <p>16 to prepare for your deposition testimony here today?</p> <p>17 A No.</p> <p>18 Q You didn't make any inquiries of any finance staff or</p> <p>19 anybody at Washington TSA regarding these topics?</p> <p>20 A I didn't feel it was necessary.</p> <p>21 Q Okay. And you didn't discuss any of these topics with</p> <p>22 Peter Shapiro before coming here today?</p> <p>23 A No.</p> <p>24 Q What's your position at TSA?</p> <p>25 A I am senior director of finance at the Washington State</p>	<p>1 BOB COOK</p> <p>2 Housing Finance Commission, those that are necessary to</p> <p>3 fulfill functions for the Tobacco Settlement Authority do</p> <p>4 so and charge hours to the Authority as appropriate.</p> <p>5 Q And what, in your educational or employment background,</p> <p>6 prepared you to become the director of finance at the</p> <p>7 Washington TSA?</p> <p>8 A I have a bachelor of science of business administration</p> <p>9 from the University of Missouri Columbia, specializing in</p> <p>10 accountancy, and I have a master's in business</p> <p>11 administration from Northern Illinois University.</p> <p>12 Q And when did you receive your master's in business</p> <p>13 administration?</p> <p>14 A 1990.</p> <p>15 Q What was your focus in your studies at Northern</p> <p>16 Illinois --</p> <p>17 A Finance and information systems.</p> <p>18 Q I want to go to the first topic that you've been</p> <p>19 designated, which is regarding the valuations of the</p> <p>20 reserve fund agreement.</p> <p>21 A Uh-huh.</p> <p>22 Q And prior to Lehman's bankruptcy in the fall of 2008,</p> <p>23 what valuations of the reserve fund agreement had TSA</p> <p>24 performed?</p> <p>25 A None.</p>
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<p>1 BOB COOK</p> <p>2 Housing Finance Commission. And as part of my role</p> <p>3 there, we have been contracted -- or we contracted with</p> <p>4 the Washington Tobacco Settlement Authority to provide</p> <p>5 the same types of services that we do in our capacity at</p> <p>6 the Washington State Housing Finance Commission, for the</p> <p>7 Tobacco Settlement Authority as directed by the</p> <p>8 legislation that created the Tobacco Settlement</p> <p>9 Authority.</p> <p>10 Q So you serve as senior director of finance for the</p> <p>11 Tobacco Settlement Authority as well?</p> <p>12 A That is correct.</p> <p>13 Q And what are your duties as senior director of finance?</p> <p>14 A Typical duties for a director of finance. I oversee the</p> <p>15 accounting and financial functions, including general</p> <p>16 operations, as well as in terms of being a finance --</p> <p>17 finance division representative in the development of the</p> <p>18 bond issue, in the creation of the Tobacco Settlement</p> <p>19 Authority when it was created in 2002, as well as any</p> <p>20 relevant financial transactions that might be considered</p> <p>21 or done by the Authority.</p> <p>22 Q Are you responsible for the accounting for the Authority?</p> <p>23 A Yes.</p> <p>24 Q And who assists you with that?</p> <p>25 A I have a staff of ten finance division people. For the</p>	<p>1 BOB COOK</p> <p>2 Q And why had no valuations of the reserve fund agreement</p> <p>3 been performed prior to Lehman's bankruptcy?</p> <p>4 A Because the agreement was specifically to be at par, so</p> <p>5 the amount that was in the reserve fund agreement had</p> <p>6 been established at the time of the bond issue and</p> <p>7 continued to be at par throughout the -- until the term</p> <p>8 of -- time of bankruptcy.</p> <p>9 Q And what do you mean when you say the agreement was</p> <p>10 intended to be at par?</p> <p>11 A One dollar for each share. The shares equaled the number</p> <p>12 of the dollars outstanding. "Share" may not be the</p> <p>13 correct term, but in any event, the dollar amount that</p> <p>14 was originally deposited was to be the dollar amount in</p> <p>15 the reserve fund throughout the life of the reserve fund.</p> <p>16 Q Can you give me your understanding of what an agreement</p> <p>17 is?</p> <p>18 A What the reserve fund is for or what the agreement was</p> <p>19 for?</p> <p>20 Q The agreement.</p> <p>21 A The agreement was to provide the Authority with an</p> <p>22 amount, specifically 45 million 700-some thousand</p> <p>23 dollars, that was to be invested, such that the principal</p> <p>24 was available for any kind of use that would be</p> <p>25 necessary, a draw on the reserve fund on bond payment</p>

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<p>1 BOB COOK</p> <p>2 dates, which were semiannual.</p> <p>3 And for that, Lehman would post collateral to the</p> <p>4 trustee that the trustee would hold in the name of the</p> <p>5 bond issue, such that the reserve fund was secure and</p> <p>6 collateralized. And as a part of that agreement, Lehman</p> <p>7 Brothers agreed to pay to us 4.84 percent interest on the</p> <p>8 amount outstanding.</p> <p>9 Q And that's your understanding of the -- I'm sorry.</p> <p>10 That's the Tobacco Settlement Authority's</p> <p>11 understanding of the actual mechanics of how the reserve</p> <p>12 fund agreement works?</p> <p>13 A The mechanics? The mechanics are for Lehman Brothers to</p> <p>14 provide -- that was the -- my understanding of how the</p> <p>15 agreement was supposed to work, from the Tobacco</p> <p>16 Settlement Authority's side.</p> <p>17 Q And you understood that the -- and when I say "you," I'm</p> <p>18 referring to the Tobacco Settlement Authority. Tobacco</p> <p>19 Settlement Authority understood that Lehman Brothers was</p> <p>20 posting collateral in connection with the reserve fund</p> <p>21 agreement?</p> <p>22 A That is correct.</p> <p>23 Q You did not understand that Lehman Brothers was in fact</p> <p>24 delivering securities pursuant to the reserve fund --</p> <p>25 A Securities that were collateral for the obligation.</p>	<p>1 BOB COOK</p> <p>2 to the trustee, what if those securities had defaulted?</p> <p>3 MS. EVANSON: Object to the form.</p> <p>4 THE WITNESS: Pardon?</p> <p>5 MS. EVANSON: I just said object to</p> <p>6 the form.</p> <p>7 You can answer.</p> <p>8 THE WITNESS: We would have sued</p> <p>9 Lehman Brothers for breach of contract.</p> <p>10 Q (By Ms. Sawyer) Okay. Maybe we should look at the</p> <p>11 reserve fund agreement --</p> <p>12 A Okay.</p> <p>13 Q -- make sure that we are talking about the same thing.</p> <p>14 I'm showing you a document that's been previously</p> <p>15 marked as Lehman Exhibit 2, which is an executed copy of</p> <p>16 a reserve fund agreement between Tobacco Settlement</p> <p>17 Authority and Lehman Brothers Special Financing, Inc.</p> <p>18 And can you show me where in this agreement there's</p> <p>19 the posting of collateral by Lehman Brothers?</p> <p>20 A It will take me some time to find things in this</p> <p>21 agreement.</p> <p>22 MS. EVANSON: And just for the record,</p> <p>23 I feel like we're getting a little outside the scope of</p> <p>24 valuations and losses. Kim Herman is going to be</p> <p>25 speaking to the purpose and formation and expectations</p>
Page 18	Page 20
<p>1 BOB COOK</p> <p>2 Q Did the Tobacco Settlement Authority understand that if</p> <p>3 there was a default under those securities, that the</p> <p>4 Tobacco Settlement Authority and the trustee bore the</p> <p>5 risk of loss?</p> <p>6 A No.</p> <p>7 Q And --</p> <p>8 A And we did not.</p> <p>9 Q And what's the basis for your understanding that you did</p> <p>10 not?</p> <p>11 A Because the reason that -- because the reason that we had</p> <p>12 collateral, and the trustee had it, was to be sure that</p> <p>13 the principal was safe. And the trustee, in fact, at the</p> <p>14 time of bankruptcy, when Lehman Brothers failed on its</p> <p>15 obligation, we retained the principal and continue to</p> <p>16 have the principal intact at this time.</p> <p>17 Q So it is your -- it is Washington TSA's understanding of</p> <p>18 the agreement that they -- that they did not own the</p> <p>19 securities that Lehman delivered?</p> <p>20 A I did not say that. Those are your words. I said that</p> <p>21 the Tobacco Settlement Authority, the trustee had the</p> <p>22 securities as collateral and had those in event of</p> <p>23 default, to be able to fund the principal and maintain</p> <p>24 the principal in the reserve fund.</p> <p>25 Q What if the securities that Lehman Brothers had delivered</p>	<p>1 BOB COOK</p> <p>2 under the reserve fund agreement. So if we could keep it</p> <p>3 to the -- to the designated topics, I think that would be</p> <p>4 appropriate.</p> <p>5 MS. SAWYER: I think that's fair</p> <p>6 enough, but I think, to be able to speak to valuations of</p> <p>7 the reserve fund agreement, we need to ensure that he has</p> <p>8 an understanding of the mechanics of the reserve fund</p> <p>9 agreement.</p> <p>10 MS. EVANSON: Fair enough.</p> <p>11 THE WITNESS: The specific term in the</p> <p>12 agreement is delivery of qualified securities, and</p> <p>13 collateral is referred to in the case that there's a</p> <p>14 downgrade.</p> <p>15 So my use of the term "collateral" is a term that I</p> <p>16 would internalize as the fact that they were posting</p> <p>17 the -- what in here is called qualified securities.</p> <p>18 Q (By Ms. Sawyer) But to be precise, the language of the</p> <p>19 agreement provides for the delivery of qualified</p> <p>20 securities, as opposed to the posting of collateral;</p> <p>21 correct?</p> <p>22 A That is correct. Unless there's a downgrade, in which</p> <p>23 case collateral can be posted.</p> <p>24 Q Okay. And if you look at Section 5.4 of the agreement,</p> <p>25 which is on Page 14 --</p>

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<p>1 BOB COOK</p> <p>2 A Uh-huh.</p> <p>3 Q -- it actually contemplates that the earning of the fixed</p> <p>4 rate of return comes from the purchase of the qualified</p> <p>5 securities at the purchase price on each deposit --</p> <p>6 A Sorry. What section again, please?</p> <p>7 Q 5.4.</p> <p>8 A Okay. Thank you.</p> <p>9 Q It says that, "The issuer understands that in</p> <p>10 consideration of its purchasing qualified securities at</p> <p>11 the purchase price on each deposit date, the issuers</p> <p>12 minimize the risks from fluctuations and interest rates</p> <p>13 during the term of this agreement."</p> <p>14 Do you see that?</p> <p>15 A Let me read it. 5.4?</p> <p>16 Q Uh-huh.</p> <p>17 A Your question again?</p> <p>18 Q My question is, is that this provision describes the</p> <p>19 issuer purchasing the qualified securities; correct?</p> <p>20 A It mentions in consideration of purchasing qualified</p> <p>21 securities at the purchase price and deposit date.</p> <p>22 Q And it is your under- -- it is Washington TSA's</p> <p>23 understanding that it did purchase the qualified</p> <p>24 securities pursuant to this agreement prior to Lehman's</p> <p>25 bankruptcy?</p>	<p>1 BOB COOK</p> <p>2 people so that they could commonly understand it.</p> <p>3 Q And what's your understanding of how this agreement was a</p> <p>4 par agreement?</p> <p>5 A That the amount of -- that was posted in the agreement</p> <p>6 was the amount that we had agreed would be in the</p> <p>7 agreement at all times, unless there was a draw on the</p> <p>8 agreement.</p> <p>9 Q And --</p> <p>10 A So that the 45 million 700-whatever thousand dollars was</p> <p>11 the amount of the agreement.</p> <p>12 Q So on -- in Washington TSA's books and records, prior to</p> <p>13 Lehman's bankruptcy, how did you account for the reserve</p> <p>14 fund agreement?</p> <p>15 A The reserve fund was booked --</p> <p>16 Q Not the reserve fund, sir. The reserve fund agreement.</p> <p>17 A The agreement doesn't enter into the books and records.</p> <p>18 The amount of the reserve fund enters into the books and</p> <p>19 records.</p> <p>20 Q So for purposes of valuing the reserve fund agreement,</p> <p>21 prior to bankruptcy, did Washington TSA take any steps to</p> <p>22 value the agreement?</p> <p>23 A None other than to record the amount that was in the</p> <p>24 agreement according to the records of the trustee.</p> <p>25 Q When you say was in the agreement, you actually mean what</p>
Page 22	Page 24
<p>1 BOB COOK</p> <p>2 A This section doesn't say that. It says in consideration</p> <p>3 of for purchasing qualified securities, so it implies</p> <p>4 that the purchasing of qualified securities could have</p> <p>5 happened. It doesn't say that it did.</p> <p>6 Q So just to be clear, it is Washington TSA's position that</p> <p>7 they did not purchase qualified securities pursuant to</p> <p>8 this --</p> <p>9 A I did not say that.</p> <p>10 Q Okay.</p> <p>11 A I said that this section does not make that implicit.</p> <p>12 Q All right. I'm --</p> <p>13 A It's implicit. It is not stated directly.</p> <p>14 Q Okay. Pursuant to the reserve fund agreement, prior to</p> <p>15 the termination of it with Lehman's bankruptcy, did</p> <p>16 Washington TSA purchase qualified securities from Lehman</p> <p>17 Brothers?</p> <p>18 A The mechanics of it may have been that way. You know,</p> <p>19 how it is defined legally, I know the -- how the</p> <p>20 mechanics of it worked. How it's defined legally, I</p> <p>21 can't comment on.</p> <p>22 Q And you had indicated that the reserve fund agreement was</p> <p>23 a par agreement; is that fair?</p> <p>24 A That, again, is perhaps not a term that is in the</p> <p>25 agreement. That is how I would describe it to other</p>	<p>1 BOB COOK</p> <p>2 was in the reserve fund; correct?</p> <p>3 A In the deposit, in the fund, held by the trustee.</p> <p>4 Q And did you under- -- did Washington TSA understand that</p> <p>5 pursuant to the reserve fund agreement, that, in certain</p> <p>6 circumstances, a termination payment would be required?</p> <p>7 A Yes.</p> <p>8 Q And did Washington TSA understand, prior to bankruptcy,</p> <p>9 that the termination payment could be payable to</p> <p>10 Lehman --</p> <p>11 A Yes.</p> <p>12 Q -- or payable to Washington TSA?</p> <p>13 A Yes.</p> <p>14 Q That there could be a payment made either direction?</p> <p>15 A That is correct.</p> <p>16 Q And did Washington TSA, prior to bankruptcy, ever attempt</p> <p>17 to determine what that termination payment would be in</p> <p>18 the event of a termination?</p> <p>19 A No.</p> <p>20 Q And why not?</p> <p>21 A Because it wasn't necessary, required, according to</p> <p>22 accounting standards.</p> <p>23 Q And are you aware, sir, that in some states there are</p> <p>24 accounting standards that require derivative contracts,</p> <p>25 such as a reserve fund agreement, to be valued and</p>

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<p>1 BOB COOK</p> <p>2 recorded?</p> <p>3 A Absolutely. But this is not the kind of reserve -- this</p> <p>4 kind of agreement was not determined to be that kind of</p> <p>5 derivative contract in our books and records.</p> <p>6 Q And who made that determination?</p> <p>7 A The staff, in consultation with our auditors.</p> <p>8 Q And so prior to bankruptcy, Washington TSA had not</p> <p>9 categorized the reserve fund agreement as a derivative</p> <p>10 contract that required to be given a value pursuant to</p> <p>11 accounting standards?</p> <p>12 A Not at that time. Because there were none of the risks,</p> <p>13 or there was no default on the contract.</p> <p>14 Q And do the accounting standards require a valuation of a</p> <p>15 derivative contract only in circumstances where there's a</p> <p>16 risk, or is it, by definition, certain contracts are</p> <p>17 required to be valued?</p> <p>18 A It was the opinion of TSA staff and our accountants that</p> <p>19 this did not meet the requirements to be valued at the</p> <p>20 point in time that the agreement was in process and</p> <p>21 working.</p> <p>22 Q And were you personally involved in those discussions?</p> <p>23 A Yes.</p> <p>24 Q And who made the decision that the reserve fund agreement</p> <p>25 did not qualify as a derivatives contract for purposes of</p>	<p>1 BOB COOK</p> <p>2 Q -- from experience, if we wait until I finish my question</p> <p>3 before you answer --</p> <p>4 A Okay.</p> <p>5 Q -- it will go a little bit quicker.</p> <p>6 A Okay.</p> <p>7 MS. SAWYER: Can you go back to my</p> <p>8 question I started when he spoke?</p> <p>9 (Question on Page 25, Line 24</p> <p>10 read by the reporter.)</p> <p>11 Q (By Ms. Sawyer) All right. So who made the decision</p> <p>12 that the reserve fund agreement did not need to be valued</p> <p>13 as a derivatives contract, before bankruptcy, for</p> <p>14 purposes of the accounting records?</p> <p>15 A I believe I answered that before. It was staff, in</p> <p>16 consultation with our auditors.</p> <p>17 Q Specifically who made that decision?</p> <p>18 A Myself, Debra Stephenson, and auditors that would have</p> <p>19 been on -- on our engagement at that time, and I don't</p> <p>20 recall specific names at that time, in 2002.</p> <p>21 Q Who were your outside auditors in 2002?</p> <p>22 A It was either Deloitte & Touche or Moss Adams. We had a</p> <p>23 change during that time. And -- but we've had some of</p> <p>24 the same people involved; they've moved firms.</p> <p>25 Q Did you seek legal advice on that decision?</p>
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<p>1 BOB COOK</p> <p>2 your --</p> <p>3 A I didn't say it didn't require a derivatives contract. I</p> <p>4 said that it did not require valuation as one during the</p> <p>5 time that the agreement was in place.</p> <p>6 Q I think, just for purposes of the court reporter, we</p> <p>7 should try to wait until I finish a question to finish --</p> <p>8 A All right.</p> <p>9 Q -- to answer.</p> <p>10 A I just want to make sure that I clarify misstatements</p> <p>11 that you're making on my behalf.</p> <p>12 Q Well, I appreciate that, sir. It would be -- that was</p> <p>13 not going to be my question. So at times you are</p> <p>14 answering a question other than what I intend to pose.</p> <p>15 A Then I would like to not -- you not to say things that</p> <p>16 are in -- unfactual that I'm not saying, putting them on</p> <p>17 record.</p> <p>18 Q Okay. We can certainly continue this way.</p> <p>19 A Sure.</p> <p>20 Q I have all day to do so.</p> <p>21 A So do I.</p> <p>22 Q Okay. So we can try to move through this. We can come</p> <p>23 back for a second deposition day. I'm trying to be as</p> <p>24 efficient as possible, and I think --</p> <p>25 A Understood.</p>	<p>1 BOB COOK</p> <p>2 A I do not recall whether or not a bond counsel or any</p> <p>3 other counsel was consulted as part of that discussion.</p> <p>4 Q So prior -- just to make sure we're clear, prior to the</p> <p>5 Lehman bankruptcy, at no time did Washington TSA place a</p> <p>6 value on the reserve fund agreement?</p> <p>7 A None. Other than the actual amount that was on deposit</p> <p>8 at the trustee, which was 45 million 700 thousand,</p> <p>9 whatever it was.</p> <p>10 Q And in a line entry in some accounting record, would it</p> <p>11 say, "reserve fund agreement," and then that amount --</p> <p>12 A Yes.</p> <p>13 Q -- or would it just -- or would there just be no entry at</p> <p>14 all?</p> <p>15 A On the reserve fund agreement, there would be a line that</p> <p>16 has the amount of the reserve fund agreement, which is</p> <p>17 45 million 700 thousand, the amount that's stated in the</p> <p>18 agreement.</p> <p>19 Q Just to make sure I'm clear, in your accounting books and</p> <p>20 records, prior to the Lehman bankruptcy, there was an</p> <p>21 entry in those accounting records for the reserve fund</p> <p>22 agreement that stated the amount contained in the reserve</p> <p>23 fund agreement as the value of the agreement?</p> <p>24 A That is correct.</p> <p>25 Q Okay. Thank you.</p>

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<p>1 BOB COOK</p> <p>2 And then after the Lehman bankruptcy, did there come</p> <p>3 a point in time that a value was placed on the reserve</p> <p>4 fund agreement?</p> <p>5 MS. EVANSON: And I'm just going to</p> <p>6 object to this line of questioning to the extent it's</p> <p>7 asking for work product or attorney-client</p> <p>8 communications.</p> <p>9 You can go ahead, but just don't disclose</p> <p>10 discussions with counsel.</p> <p>11 THE WITNESS: Okay. So state the</p> <p>12 question again, please.</p> <p>13 Q (By Ms. Sawyer) After Lehman's bankruptcy, did there</p> <p>14 come a point in time that the TSA placed a value on the</p> <p>15 reserve fund agreement?</p> <p>16 A The reserve fund continued to be funded at the amount</p> <p>17 that was stated in the agreement, because we had those</p> <p>18 proceeds. And then we began to do a valuation that</p> <p>19 included consideration of the lost earnings over time</p> <p>20 that Lehman Brothers would have paid the TSA, had the</p> <p>21 agreement remained in place.</p> <p>22 Q Specifically my question was, was a value placed on the</p> <p>23 reserve fund agreement by Washington TSA?</p> <p>24 A I don't know how -- what you mean by placing a -- a value</p> <p>25 on the agreement. We did -- yes, we did valuations of</p>	<p>1 BOB COOK</p> <p>2 Do you see that?</p> <p>3 A I do.</p> <p>4 Q And is that what you were just referring to, that PFM --</p> <p>5 A Yes.</p> <p>6 Q -- PFM did a valuation shortly after bankruptcy?</p> <p>7 A I do not know how they arrived at the number. I don't</p> <p>8 know what the product was that came to this number. But</p> <p>9 they did provide this number.</p> <p>10 Q But you, sir, have been designated as Washington TSA's</p> <p>11 representative to understand all -- any valuations that</p> <p>12 were done on behalf of TSA regarding the reserve fund</p> <p>13 agreement.</p> <p>14 A I did not get a work product that said this. I simply</p> <p>15 got a number. And I didn't investigate further at that</p> <p>16 time.</p> <p>17 Q But you understand that you were designated to testify</p> <p>18 here today about any valuations of the reserve fund</p> <p>19 agreement --</p> <p>20 A I do understand that. And I don't have any of this.</p> <p>21 Q And you didn't take any steps to understand how PFM</p> <p>22 determined that the termination amount as of the date of</p> <p>23 the call was approximately \$1.2 million?</p> <p>24 A We had probably discussions on the phone about it, but I</p> <p>25 don't have any contemporaneous notes that can help me</p>
Page 30	Page 32
<p>1 BOB COOK</p> <p>2 future losses.</p> <p>3 Q Future losses in terms of the guaranteed rate?</p> <p>4 A That is correct.</p> <p>5 Q And who did those analyses?</p> <p>6 A Peter Shapiro at Swap Financial.</p> <p>7 Q Anyone else?</p> <p>8 A There were no other actual valuations done. PFM, at the</p> <p>9 time that bankruptcy was declared, had looked at the fact</p> <p>10 that what -- depending upon the termination date and if</p> <p>11 it had been the date of the bankruptcy, that we could</p> <p>12 have been in a position to owe approximately \$1 million,</p> <p>13 \$1.2 million.</p> <p>14 Q Showing you a document that's been marked as Lehman</p> <p>15 Exhibit 4, which, for the record, is a memorandum dated</p> <p>16 September 25th, 2008, from K&L Gates. It's Bates-stamped</p> <p>17 as TSA 13248 through 13251.</p> <p>18 Have you seen this document before?</p> <p>19 A I have.</p> <p>20 Q And if you look at the third paragraph of the document,</p> <p>21 the middle of that paragraph, starting toward the end of</p> <p>22 the line, it says, "We have been told by PFM that a</p> <p>23 termination amount calculated as of the date of the call</p> <p>24 would obligate the Authority to pay Lehman approximately</p> <p>25 \$1.2 million."</p>	<p>1 BOB COOK</p> <p>2 remember, other than the fact that the number was put out</p> <p>3 there.</p> <p>4 Q In preparation for today's deposition, where you're to</p> <p>5 testify as to the valuations of the reserve fund</p> <p>6 agreement, what did you do to understand the -- this</p> <p>7 valuation?</p> <p>8 A I understood that, in general, that interest rates spiked</p> <p>9 during the time that the Lehman bankruptcy happened</p> <p>10 because of the disruption in the market, such that the</p> <p>11 valuation could have possibly been negative at that time,</p> <p>12 and this was a range that was given by PFM.</p> <p>13 Q My question, sir, was, what did you do in preparation for</p> <p>14 this deposition to understand the \$1.2 million valuation</p> <p>15 that PFM had done?</p> <p>16 A I have no further understanding, other than knowing that</p> <p>17 this number is here.</p> <p>18 Q Did you do anything in preparation for this deposition to</p> <p>19 understand the \$1.2 million valuation?</p> <p>20 A I did not.</p> <p>21 Q Do you know what methodology PFM used to reach this</p> <p>22 \$1.2 million valuation?</p> <p>23 A I do not.</p> <p>24 Q Did you ask anybody at PFM, in preparation for this</p> <p>25 deposition, how that \$1.2 million value was determined?</p>

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<p>1 BOB COOK</p> <p>2 A I did not.</p> <p>3 Q Do you understand generally how PFM valued the TSA's</p> <p>4 reserve fund agreement?</p> <p>5 A I know the environmental effects that were going on at</p> <p>6 that time that resulted in this number, and that was the</p> <p>7 spike in interest rates due to the disruption in the</p> <p>8 marketplace that I mentioned earlier.</p> <p>9 Q And did you reach that understanding on or about the time</p> <p>10 of this memorandum and this call?</p> <p>11 A Yes.</p> <p>12 Q And so you recall there being a discussion with PFM about</p> <p>13 this valuation and why it would have required TSA to pay</p> <p>14 money to Lehman?</p> <p>15 A Yes.</p> <p>16 Q And did it come as a surprise to TSA that it would</p> <p>17 actually owe money to Lehman following the Lehman's</p> <p>18 bankruptcy?</p> <p>19 A I don't think it would have come as a surprise one way or</p> <p>20 the other.</p> <p>21 Q You knew -- TSA knew there was a possibility that in the</p> <p>22 event of the termination of the agreement, that it might</p> <p>23 owe money to Lehman?</p> <p>24 A That is correct.</p> <p>25 Q And so the fact that PFM indicated that as of this date</p>	<p>1 BOB COOK</p> <p>2 Do you see that?</p> <p>3 A Uh-huh.</p> <p>4 Q And does "Bob" refer to you?</p> <p>5 A I presume so.</p> <p>6 Q And it says the termination value is \$1,237,902 owed to</p> <p>7 Washington TSA.</p> <p>8 Do you see that?</p> <p>9 A I do.</p> <p>10 Q And he's underlined the word "to."</p> <p>11 A That is correct.</p> <p>12 Q And do you recall TSA receiving this valuation from PFM</p> <p>13 on or about November 12th, 2008?</p> <p>14 A Yes.</p> <p>15 Q And tell me how this valuation was determined by PFM.</p> <p>16 A PFM performed the valuation. I believe it was with data</p> <p>17 that -- after kind of the financial markets had settled</p> <p>18 down a little bit, and they really had time to actually</p> <p>19 do a valuation.</p> <p>20 As you see, there wasn't a document that we could</p> <p>21 find related to the prior number of \$1.2 million the</p> <p>22 other direction. This was the product that they</p> <p>23 produced. This shows November 10th of 2008, the amount.</p> <p>24 Q And did you ask, in connection with the prior valuation,</p> <p>25 to get some backup for it?</p>
Page 34	Page 36
<p>1 BOB COOK</p> <p>2 it might owe \$1.2 million, that was something that could</p> <p>3 be expected?</p> <p>4 A Yes.</p> <p>5 Q And prior to this call, which was on September 19th,</p> <p>6 2008, a few days after Lehman's bankruptcy, had TSA</p> <p>7 received any other valuations of the reserve fund</p> <p>8 agreement from PFM or anyone else?</p> <p>9 A No.</p> <p>10 Q So from the date of Lehman's bankruptcy on</p> <p>11 September 15th, 2008, to September 19th, 2008, you had no</p> <p>12 indication as to the value of the reserve fund agreement?</p> <p>13 A That is correct.</p> <p>14 Q Now showing you a document that's been marked as Lehman</p> <p>15 Exhibit 8, which is a multipage document Bates-stamped</p> <p>16 TSA 24147 through 24150, and it appears to be an email</p> <p>17 from you to Debra Stephenson, dated November 17th, 2008,</p> <p>18 at the top, forwarding the chain and an attachment to one</p> <p>19 of the emails.</p> <p>20 Do you recognize this document?</p> <p>21 A Sure. Yes.</p> <p>22 Q And in the middle of the first page, there's an email</p> <p>23 from Roan Blacker to Kim Herman, Bob Cook, and others,</p> <p>24 that says, "Attached is the valuation calculation that</p> <p>25 was forwarded back to Bob."</p>	<p>1 BOB COOK</p> <p>2 A I don't recall that we did.</p> <p>3 Q And can you explain to me the methodology that PFM has</p> <p>4 used here to value the reserve fund agreement?</p> <p>5 A They have used LIBOR over a period of time, in</p> <p>6 projections going forward, and a spread, to come up with</p> <p>7 a yield, present valued it, and compared that to the</p> <p>8 guaranteed rate of return.</p> <p>9 Q And what is LIBOR?</p> <p>10 A London Interbank Offering Rate.</p> <p>11 Q And you said they used projections of LIBOR?</p> <p>12 A Because these are dates in the future, it had to be</p> <p>13 projections.</p> <p>14 Q And do you know how they determined those projections?</p> <p>15 A I do not.</p> <p>16 Q And did you ask anybody?</p> <p>17 A I did not.</p> <p>18 Q Either at the time of this valuation or now?</p> <p>19 A No.</p> <p>20 Q Okay. And you said that they used a spread to these</p> <p>21 projections rates?</p> <p>22 A That is correct. It's a consistent ten basis points.</p> <p>23 Q And so they added ten basis points to that projected</p> <p>24 LIBOR rate?</p> <p>25 A Again, the numbers are small. I have to make sure that</p>

<p style="text-align: right;">Page 37</p> <p>1 BOB COOK</p> <p>2 they've been added, and it appears that they have been.</p> <p>3 Q And did you say they added ten basis points?</p> <p>4 A That's what's in the column that says "Spread to LIBOR</p> <p>5 curve."</p> <p>6 Q So that 0.10 percent is ten basis points?</p> <p>7 A That is correct.</p> <p>8 Q And then they -- then you said that they compared that</p> <p>9 yield with the guaranteed rate? Is that what -- I'm just</p> <p>10 trying to make sure I recall what you said correctly.</p> <p>11 A That's what my presumption is. I'm going to need to do</p> <p>12 math in order to prove that to myself. I should have</p> <p>13 brought glasses. Sorry. I don't usually use this</p> <p>14 calculator, so . . .</p> <p>15 Q I don't have a better one to offer you.</p> <p>16 A Actually, the ten basis points doesn't appear to have</p> <p>17 been added to that rate. It's a variable factor that</p> <p>18 goes into the calculation, but I -- I can't see how it's</p> <p>19 been used here.</p> <p>20 Q So you don't know how the spread to LIBOR has been used</p> <p>21 here?</p> <p>22 A Not specifically without doing some additional work.</p> <p>23 Q And you understood that you've been designated to testify</p> <p>24 here today on behalf of Washington TSA?</p> <p>25 A I do understand that.</p>	<p style="text-align: right;">Page 39</p> <p>1 BOB COOK</p> <p>2 A It is a methodology. I wouldn't say it's the appropriate</p> <p>3 one. There are many different ways that can be</p> <p>4 considered to come up with an estimate of what the future</p> <p>5 losses might be. And again, because these contain future</p> <p>6 projections of rates, it has projections in it.</p> <p>7 Q Why did PFM believe that this was the appropriate method</p> <p>8 to value the reserve fund agreement?</p> <p>9 A PFM could answer that question.</p> <p>10 Q Did you ask PFM why they used this methodology to perform</p> <p>11 the valuation of the reserve fund agreement in</p> <p>12 November 2008?</p> <p>13 A I do not recall that I did.</p> <p>14 Q And did you ask PFM recently why they used this</p> <p>15 methodology to value the reserve fund agreement?</p> <p>16 A I did not.</p> <p>17 Q Not in preparation for today's deposition?</p> <p>18 A I did not.</p> <p>19 Q And do you know why PFM has dates running all the way</p> <p>20 through 2042?</p> <p>21 A Because that was the term through which the initial</p> <p>22 agreement was documented.</p> <p>23 Q But the agreement was amended shortly after execution;</p> <p>24 correct?</p> <p>25 A It was.</p>
<p style="text-align: right;">Page 38</p> <p>1 BOB COOK</p> <p>2 Q Regarding the valuations of the reserve fund agreement?</p> <p>3 A I do understand that.</p> <p>4 Q In preparation for your deposition here today, did you</p> <p>5 review this valuation of the reserve fund agreement that</p> <p>6 had been performed by PFM?</p> <p>7 A I did not.</p> <p>8 Q So do you know what methodology PFM is using to value the</p> <p>9 reserve fund agreement on or about November 10th, 2008?</p> <p>10 A In general terms, yes.</p> <p>11 Q Okay. What's TSA's general understanding?</p> <p>12 A That -- again, that they have used future values expected</p> <p>13 to be earned based upon LIBOR, compared that to the</p> <p>14 guaranteed rate, come up with the difference, present</p> <p>15 valued that, and totaled the factors, to come to a</p> <p>16 1.2 million owed to the TSA.</p> <p>17 Q And why would PFM determine the future values expected to</p> <p>18 be earned, and compare that against the guaranteed rate?</p> <p>19 A In order to determine the amount -- the value of the</p> <p>20 agreement at that point in time, since the agreement was</p> <p>21 no longer in place, that there were going to be lost</p> <p>22 earnings.</p> <p>23 Q Fair enough.</p> <p>24 Why is that the appropriate methodology to use to</p> <p>25 value the termination amount?</p>	<p style="text-align: right;">Page 40</p> <p>1 BOB COOK</p> <p>2 Q Providing for a shortened period through 2032?</p> <p>3 A That's correct.</p> <p>4 Q But PFM used a period through 2042?</p> <p>5 A They did.</p> <p>6 Q And do you know why?</p> <p>7 A Because -- I can make a presumption. I can't know why.</p> <p>8 Q Did you -- when you received this valuation from PFM, did</p> <p>9 you advise them that they had conducted the analysis</p> <p>10 through 2042 instead of 2032?</p> <p>11 A I did not.</p> <p>12 Q Did you ask them to address or correct that?</p> <p>13 A I did not.</p> <p>14 Q At any time?</p> <p>15 A Not this -- not this projection, no.</p> <p>16 Q In between the valuation that we looked at from</p> <p>17 September of 2008 and this valuation in November of 2008,</p> <p>18 did Washington TSA receive any other valuations of the</p> <p>19 reserve fund agreement?</p> <p>20 A None that I can recall.</p> <p>21 Q From PFM or anyone else?</p> <p>22 A I don't remember when we got our first valuation, when we</p> <p>23 engaged Swap Financial, so --</p> <p>24 Q It might have been during this period?</p> <p>25 A I'd need to look at the documents.</p>

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<p>1 BOB COOK</p> <p>2 Q At any time during this period, up until November 10th,</p> <p>3 2008, did Washington TSA, itself, perform a valuation of</p> <p>4 the reserve fund agreement?</p> <p>5 A No.</p> <p>6 Q At any time has Washington TSA, itself, performed a</p> <p>7 valuation of the reserve fund agreement?</p> <p>8 A No.</p> <p>9 Q And why was PFM valuing the reserve fund agreement at</p> <p>10 this time?</p> <p>11 A PFM was our financial advisor on the transaction from the</p> <p>12 initial point of time when we started to enter into the</p> <p>13 bond transaction, so they were our financial advisor.</p> <p>14 Q Since 2002, roughly?</p> <p>15 A That's correct.</p> <p>16 Q Okay. And in fact, PFM had bid out the reserve fund</p> <p>17 agreement when it was placed in 2002; correct?</p> <p>18 A That is correct.</p> <p>19 Q And after receiving -- strike that. I'm going to move</p> <p>20 on.</p> <p>21 THE WITNESS: Can I get some water?</p> <p>22 MS. SAWYER: Absolutely.</p> <p>23 MS. EVANSON: You know, this would be</p> <p>24 great time to take just like a two-minute bathroom break,</p> <p>25 if you don't mind.</p>	<p>1 BOB COOK</p> <p>2 don't recall the reason.</p> <p>3 Q And they performed this valuation for Washington TSA;</p> <p>4 correct?</p> <p>5 A They provided it to us, yes.</p> <p>6 Q They didn't perform it for you?</p> <p>7 A Can you explain the distinction?</p> <p>8 Q I had asked the question and you made that distinction in</p> <p>9 your answer, so why did you make that distinction?</p> <p>10 Can you read it back, please?</p> <p>11 (Question on Page 43, Line 3</p> <p>12 read by the reporter.)</p> <p>13 MS. SAWYER: And the answer?</p> <p>14 (Answer on Page 43, Line 5,</p> <p>15 read by the reporter.)</p> <p>16 THE WITNESS: They provided it for us.</p> <p>17 Q (By Ms. Sawyer) They did not perform it for Washington</p> <p>18 TSA?</p> <p>19 A They performed it. We have it.</p> <p>20 Q And they were engaged as your experts at the time?</p> <p>21 A They were.</p> <p>22 Q And did you, at the time, ask them why they used a spread</p> <p>23 to LIBOR of ten basis points?</p> <p>24 A I don't recall asking that question.</p> <p>25 Q And in preparation for today's deposition, did you</p>
Page 42	Page 44
<p>1 BOB COOK</p> <p>2 (Recess from 10:20 a.m. to</p> <p>3 10:25 a.m.)</p> <p>4 EXAMINATION (Continuing)</p> <p>5 BY MS. SAWYER:</p> <p>6 Q I have a couple more questions on the last document we</p> <p>7 were looking at.</p> <p>8 A Okay.</p> <p>9 Q Do you know why PFM used spread to LIBOR to compare it to</p> <p>10 the guaranteed rate?</p> <p>11 A By "spread to LIBOR," you mean the ten basis points?</p> <p>12 Q Sure.</p> <p>13 A Well, that's what's shown here, so is that what you are</p> <p>14 asking?</p> <p>15 Q You had indicated they had used spread to LIBOR to</p> <p>16 compare to the guaranteed rate, and so I'm asking why</p> <p>17 they used the spread to LIBOR.</p> <p>18 A A spread to LIBOR is often used because a future</p> <p>19 valuation does not trade directly with LIBOR because of</p> <p>20 credit risk and some other factors in the market. So</p> <p>21 they have chosen a ten basis points variance here.</p> <p>22 Q And why did they choose a ten basis points variance?</p> <p>23 A This is their calculation. I generally know that they</p> <p>24 performed the calculation, but we hired them as experts</p> <p>25 to do it. They may have explained it at the time, but I</p>	<p>1 BOB COOK</p> <p>2 inquire as to why they used a spread to LIBOR of ten</p> <p>3 basis points?</p> <p>4 A I did not.</p> <p>5 Q And do you have any understanding at all why they used a</p> <p>6 spread to LIBOR of ten basis points?</p> <p>7 A I believe I explained that earlier. If you could read</p> <p>8 that back, please.</p> <p>9 Q I'd rather not have things read back. To be --</p> <p>10 A Well, I had answered the question.</p> <p>11 Q This is a process which you may find frustrating --</p> <p>12 A I do.</p> <p>13 Q -- but I get to ask the questions and you get to answer</p> <p>14 them.</p> <p>15 A Okay.</p> <p>16 Q So my question is, do you have an understanding as to why</p> <p>17 they selected ten basis points as the spread to LIBOR to</p> <p>18 use?</p> <p>19 A I do not know specifically why they used ten basis</p> <p>20 points.</p> <p>21 Q You answered earlier that you would use a spread to</p> <p>22 incorporate things such as credit or profit?</p> <p>23 A That is correct.</p> <p>24 Q But you don't know particularly why PFM selected ten</p> <p>25 basis points?</p>

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<p>1 BOB COOK</p> <p>2 A I do not.</p> <p>3 Q And you didn't inquire, in preparation for today's</p> <p>4 deposition?</p> <p>5 A I did not.</p> <p>6 Q And do you know why PFM used LIBOR as the base rate?</p> <p>7 A I need to refer back to the agreement to see if LIBOR was</p> <p>8 mentioned in the agreement. If it wasn't, then LIBOR is</p> <p>9 typically a rate that is used in this kind of</p> <p>10 calculation.</p> <p>11 Q And is that your assumption, or did you discuss that with</p> <p>12 PFM?</p> <p>13 A We would have had general discussions about this process</p> <p>14 at the -- in 2008, when this was performed. I have not</p> <p>15 refreshed that memory.</p> <p>16 Q And in 2008, when PFM did this calculation, what do you</p> <p>17 recall of those discussions with PFM regarding these</p> <p>18 calculations?</p> <p>19 A Very little specifically, other than the documentation</p> <p>20 that is here that shows the two dates when they did these</p> <p>21 different calculations, the fact that they had given us a</p> <p>22 \$1.2 million number shortly after the bankruptcy, and</p> <p>23 this 1.3 that was to the TSA later.</p> <p>24 Q So the first number they gave you was Washington paying</p> <p>25 \$1.2 million, and the second number was Lehman paying</p>	<p>1 BOB COOK</p> <p>2 Q And when have you seen this before?</p> <p>3 A At the time that it was filed and subsequent to that.</p> <p>4 Q And were you -- did you review it at the time it was</p> <p>5 filed?</p> <p>6 A Yes.</p> <p>7 Q Did you review it before it was filed?</p> <p>8 A Yes.</p> <p>9 Q Did you provide any comments on it before it was filed?</p> <p>10 A I don't recall specific comments. If I did, they were in</p> <p>11 general terms.</p> <p>12 Q And who is Peter Shapiro?</p> <p>13 A Peter Shapiro is the principal at Swap Financial Group.</p> <p>14 Q And how -- scratch that.</p> <p>15 Let's turn to Paragraph 7 -- or Paragraph 3 of the</p> <p>16 document. It indicates that SFG has been retained to</p> <p>17 assist the Washington State Tobacco Settlement Authority,</p> <p>18 TSA, in connection with the above-captioned bankruptcy</p> <p>19 cases.</p> <p>20 How did Peter -- how did SFG come to be retained to</p> <p>21 assist the Washington TSA in connection with these --</p> <p>22 this bankruptcy case?</p> <p>23 MS. EVANSON: And I'm going to object.</p> <p>24 This is a topic that's been designated for Kim Herman.</p> <p>25 Retention of the Swap Financial is outside the scope of</p>
Page 46	Page 48
<p>1 BOB COOK</p> <p>2 approximately \$1.2 million?</p> <p>3 A Correct.</p> <p>4 Q So a difference of roughly \$2 + million?</p> <p>5 A Correct.</p> <p>6 Q And do you recall any aspects of that change in</p> <p>7 valuation -- let me start that question again.</p> <p>8 Do you recall discussions in 2008 with PFM about</p> <p>9 that change in valuation?</p> <p>10 A I don't recall specific discussions.</p> <p>11 Q Do you recall generally discussing that topic with P- --</p> <p>12 A I do recall generally discussing the fact that the</p> <p>13 interest rate environment had somewhat stabilized from</p> <p>14 the spikes that were occurring right after the time of</p> <p>15 the Lehman bankruptcy and the disruption of the financial</p> <p>16 markets.</p> <p>17 Q And recall that being a discussion that you had with PFM?</p> <p>18 A In general, with the finance team, which includes PFM.</p> <p>19 Q I'm now showing you a document that's been previously</p> <p>20 marked as Lehman Exhibit 12, which is a multipage</p> <p>21 document Bates-stamped LBHI_WTSA 16384 through 16389.</p> <p>22 And it appears -- it's titled a Declaration of Peter</p> <p>23 Shapiro, which goes on, and appears to be a court filing.</p> <p>24 Have you seen this document before?</p> <p>25 A I have.</p>	<p>1 BOB COOK</p> <p>2 valuation.</p> <p>3 Q (By Ms. Sawyer) We'll go to Paragraph 7 then. It says,</p> <p>4 As of January 12th, 2009, LBSF was, quote, out of the</p> <p>5 money under the RFA.</p> <p>6 Do you understand what it means to be "out of the</p> <p>7 money"?</p> <p>8 A Yes, I do.</p> <p>9 Q And what's that mean?</p> <p>10 A That means that Lehman Brothers owed the TSA in this</p> <p>11 case.</p> <p>12 Q Okay. And it goes on, it says, And if the RFA was</p> <p>13 terminated on January 12th, 2009, the, quote, termination</p> <p>14 amount owed to TSA under the RFA would be roughly</p> <p>15 \$27.5 million.</p> <p>16 Do you see that?</p> <p>17 A I do.</p> <p>18 Q And how did Mr. Shapiro reach that valuation, that it</p> <p>19 would be roughly \$27.5 million?</p> <p>20 A We had asked him to perform this calculation, and this</p> <p>21 was the result of his calculation. Similar to the ones</p> <p>22 that had been done before by PFM.</p> <p>23 Q And it is your understanding that Mr. Shapiro used the</p> <p>24 same methodology that PFM had used?</p> <p>25 A It may not have been exactly the same methodology, but it</p>

12 (Pages 45 to 48)

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<p>1 BOB COOK</p> <p>2 was using a methodology that is industry accepted as --</p> <p>3 as determining what a termination amount would be.</p> <p>4 Q And what methodology did Mr. Shapiro and Swap Financial</p> <p>5 Group use in January 2009 to perform this calculation?</p> <p>6 A I don't have a word to describe it, but it's in the</p> <p>7 document that he's provided.</p> <p>8 Q And there was a document created in or about January 2009</p> <p>9 that supported this document- -- this valuation?</p> <p>10 A It certainly seems that there must be.</p> <p>11 Q And do you, on behalf of TSA, recall reviewing a document</p> <p>12 that Mr. Shapiro or Swap Financial Group had prepared in</p> <p>13 January 2009 supporting this valuation of \$27.5 million?</p> <p>14 A I don't recall the document specifically, but I'm sure</p> <p>15 I've seen it.</p> <p>16 Q Okay. And do you recall reviewing that in preparation</p> <p>17 for your deposition here today?</p> <p>18 A I don't recall the specific document.</p> <p>19 MS. SAWYER: I don't think that we've</p> <p>20 been provided any documents that support this valuation,</p> <p>21 so I'd just note for the record that I'd make a request</p> <p>22 that those documents be produced.</p> <p>23 Q (By Ms. Sawyer) Did Mr. Shapiro, in preparing this</p> <p>24 valuation, review the valuations that had been performed</p> <p>25 by PFM?</p>	<p>1 BOB COOK</p> <p>2 designated.</p> <p>3 Q (By Ms. Sawyer) Was it your understanding that --</p> <p>4 Mr. Cook, that you were not going to discuss how the</p> <p>5 valuations were determined?</p> <p>6 A As far as the technical aspects of the valuations, I was</p> <p>7 not under the impression that I was speaking to that.</p> <p>8 Q At the time this number was created by Swap Financial</p> <p>9 Group, did Washington TSA inquire as to how the valuation</p> <p>10 was made?</p> <p>11 A I am sure that we reviewed the assumptions that were made</p> <p>12 in this valuation.</p> <p>13 Q Okay. And your recollection is that those assumptions</p> <p>14 were provided to you in written form; correct?</p> <p>15 A I can't say that for sure.</p> <p>16 Q This number is substantially more than the PFM number</p> <p>17 that we had just seen; correct?</p> <p>18 A It is.</p> <p>19 Q And what's the explanation for the increase?</p> <p>20 A Primarily because the environment continued to evolve</p> <p>21 very quickly after the Lehman Brothers bankruptcy. As</p> <p>22 you can see, within a period of a couple months, the</p> <p>23 amount of the valuation had changed \$2 + million, and</p> <p>24 credit continued to be tightening.</p> <p>25 Availability of agreements such as this evaporated</p>
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<p>1 BOB COOK</p> <p>2 MS. EVANSON: And I'm going to object.</p> <p>3 That is also outside of the scope. Calculation of the</p> <p>4 termination amount, Peter Shapiro's been designated for</p> <p>5 that under 5B.</p> <p>6 MS. SAWYER: Well, this is a valuation</p> <p>7 of the reserve fund agreement, which is Topic 1E.</p> <p>8 MS. EVANSON: Right. But this is --</p> <p>9 you're asking the basis and the methodology for the</p> <p>10 calculation, which is listed in Paragraph 7 as</p> <p>11 termination amount.</p> <p>12 MS. SAWYER: Okay. I mean, I think</p> <p>13 that you've designated Mr. Cook to testify as to the</p> <p>14 valuations of the reserve fund agreement. This is --</p> <p>15 MS. EVANSON: Sure.</p> <p>16 MS. SAWYER: -- a valuation of the</p> <p>17 reserve fund agreement. You could have designated</p> <p>18 Mr. Shapiro to testify as to this as well, and you did</p> <p>19 not. And so I think it's fair for me to explore the</p> <p>20 basis of -- of Washington TSA's understanding of the</p> <p>21 valuations of the reserve fund agreement with this</p> <p>22 designee.</p> <p>23 MS. EVANSON: I'm just saying, to the</p> <p>24 extent we're getting into calculations, I believe that's</p> <p>25 covered under another topic, for which Mr. Shapiro's been</p>	<p>1 BOB COOK</p> <p>2 as a result of the bankruptcy, again distorting the</p> <p>3 market very significantly. And in fact, to the point</p> <p>4 that sometimes other alternatives had to be used instead</p> <p>5 of actual bidding of an agreement because bids could not</p> <p>6 be obtained.</p> <p>7 So the market continued to evolve very dramatically</p> <p>8 over the six months or so after the fact.</p> <p>9 Q So between November 10th, 2008, and January 12th, 2009,</p> <p>10 the market had changed so dramatically that the valuation</p> <p>11 changed from \$1.2 million, approximately, to</p> <p>12 \$27.5 million?</p> <p>13 A That's correct.</p> <p>14 Q And that was primarily due to a change in interest rates?</p> <p>15 A Interest rates. There was also credit spread. Factors</p> <p>16 in the tobacco market, because there was so much</p> <p>17 disruption, tobacco was also priced at a very different</p> <p>18 rate, such that that risk exacerbated this kind of change</p> <p>19 as well.</p> <p>20 Q And so --</p> <p>21 A So there were a number of factors involved.</p> <p>22 Q I apologize.</p> <p>23 So during the two months between November 10th,</p> <p>24 2008, and January 12th, 2009, the interest rates changed</p> <p>25 dramatically, as well as a tightening in the tobacco</p>

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<p>1 BOB COOK</p> <p>2 credit market, and that is what results in this</p> <p>3 valuation?</p> <p>4 A There is also the fact that credit was much less</p> <p>5 available by banks. There was much less lending going</p> <p>6 on. So the general interest rate environment had changed</p> <p>7 dramatically as well.</p> <p>8 Q And that impact -- was impacted in the general interest</p> <p>9 rate environment, you said?</p> <p>10 A It -- yes. It impacted all interest rates basically, but</p> <p>11 that's what I meant by "general."</p> <p>12 Q And when you received the valuation from Swap Financial</p> <p>13 Group of \$27.5 million, did you discuss it with</p> <p>14 Mr. Shapiro or someone else from Swap Financial Group?</p> <p>15 A I'm sure that we reviewed that with a group of us, yes.</p> <p>16 Q And did you discuss with Swap Financial Group the</p> <p>17 difference between the prior valuation that TSA had</p> <p>18 received?</p> <p>19 A In the -- I don't know if we discussed the exact</p> <p>20 25 point -- no, \$26.3 million difference, but we</p> <p>21 definitely discussed factors that made the market change,</p> <p>22 and that was exacerbating changes in this kind of</p> <p>23 valuation.</p> <p>24 Q And what was that discussion?</p> <p>25 A I believe I -- the kinds of things that I had mentioned</p>	<p>1 BOB COOK</p> <p>2 They're the experts. We hired them to do the</p> <p>3 calculations.</p> <p>4 Q But you understood that they were using a spread to LIBOR</p> <p>5 calculation at this time, in January 2009?</p> <p>6 A Actually, without seeing the document, I can't recall</p> <p>7 what it -- what it is or was.</p> <p>8 Q It may have been, but it may not have been?</p> <p>9 A I don't recall.</p> <p>10 Q Okay. And in preparation for today's testimony, did you</p> <p>11 inquire as to the methodology used to calculate the</p> <p>12 \$27.5 million valuation?</p> <p>13 A I did not specifically, no.</p> <p>14 Q Do you know what the spread number of the spread to LIBOR</p> <p>15 was in reaching this calculation in January 2009?</p> <p>16 A I don't.</p> <p>17 Q Did you inquire at the time, in 2009, as to what the</p> <p>18 spread to LIBOR was that was being used?</p> <p>19 A I don't recall.</p> <p>20 Q Okay. And in preparation for today's testimony, did you</p> <p>21 ask what the spread to LIBOR that was being used in</p> <p>22 terms -- to reach this January 2009 valuation?</p> <p>23 A I did not.</p> <p>24 Q In between November 10th, 2008, and this valuation in</p> <p>25 January 12th, 2009, did TSA receive any other valuations</p>
Page 54	Page 56
<p>1 BOB COOK</p> <p>2 before: interest rate environment changing; credit in</p> <p>3 general being much less available to all kinds of</p> <p>4 entities; the fact that tobacco market spreads in the</p> <p>5 bond market for tobacco markets was changing dramatically</p> <p>6 as well. All of those were factors that were</p> <p>7 contributing to this kind of change.</p> <p>8 Q Do you recall anything else being discussed that</p> <p>9 contributed to the difference in valuation?</p> <p>10 A I don't recall other things. There may be -- may have</p> <p>11 been other things discussed.</p> <p>12 Q But sitting here today, you don't recall?</p> <p>13 A I don't recall.</p> <p>14 Q And do you know whether Swap Financial Group, in</p> <p>15 preparing this January 12th, 2009, valuation, used a</p> <p>16 spread to LIBOR that they compared against the guaranteed</p> <p>17 rate?</p> <p>18 A I believe that they did.</p> <p>19 Q And do you know why Swap Financial Group used a spread to</p> <p>20 LIBOR methodology to come up with a valuation for the</p> <p>21 reserve fund agreement?</p> <p>22 A I don't recall that specifically.</p> <p>23 Q Okay.</p> <p>24 A I don't recall the specifics of the calculation. I</p> <p>25 recall the general discussion about the calculation.</p>	<p>1 BOB COOK</p> <p>2 of the reserve fund agreement?</p> <p>3 A I do not recall that there were.</p> <p>4 Q And did TSA, itself, perform any valuations of the</p> <p>5 reserve fund agreement --</p> <p>6 A No.</p> <p>7 Q -- during that time period?</p> <p>8 I'm now showing you a document that's been marked as</p> <p>9 Lehman Exhibit 15, which is Bates-stamped TSA 21616</p> <p>10 through 21618. It appears to be a memorandum from Swap</p> <p>11 Financial Group to Bob Cook, dated April 21st, 2009.</p> <p>12 Do you recognize this document?</p> <p>13 A Yes.</p> <p>14 Q Is it fair to say, this contains a valuation of the</p> <p>15 reserve fund agreement prepared by Swap Financial Group</p> <p>16 on or about April 21st, 2009?</p> <p>17 A Yes.</p> <p>18 Q And the valuations reflected in this memorandum are</p> <p>19 prepared as of two valuation dates; correct?</p> <p>20 A That is correct.</p> <p>21 Q October 2nd, 2008, and March 25th, 2009?</p> <p>22 A That's correct.</p> <p>23 Q Do you understand the methodology that Swap Financial</p> <p>24 Group used in calculating the termination amounts</p> <p>25 reflected in this memorandum?</p>

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<p>1 BOB COOK</p> <p>2 A As it's described in the memorandum, yes.</p> <p>3 Q And tell me your general understanding of the methodology</p> <p>4 used by Swap Financial Group as reflected in this</p> <p>5 memorandum.</p> <p>6 A I'll need to review it a little bit.</p> <p>7 Q Fair enough.</p> <p>8 A And could you restate your question?</p> <p>9 Q Tell me your general understanding of the methodology</p> <p>10 used by Swap Financial Group as reflected in this</p> <p>11 memorandum.</p> <p>12 A As described in this memo, the method that they used was</p> <p>13 to look at a similar kind of a swap transaction, even</p> <p>14 though this wasn't a swap transaction, where Lehman would</p> <p>15 pay a fixed rate, while we would be paid a floating rate.</p> <p>16 They did use a LIBOR plus spread analysis. We know</p> <p>17 the fixed rate, obviously leg. The floating rate should</p> <p>18 represent the value of the securities to be delivered.</p> <p>19 Then there are a number of factors that are identified:</p> <p>20 commercial paper spreads, changes in the municipal</p> <p>21 tobacco credit, and of course there was a profit</p> <p>22 component figured into the agreement as well, in order to</p> <p>23 use those variables to calculate the loss.</p> <p>24 Q Would it be fair to say that Swap Financial Group was</p> <p>25 essentially comparing the guaranteed rate to a rate that</p>	<p>1 BOB COOK</p> <p>2 the spread to LIBOR?</p> <p>3 A That is correct.</p> <p>4 Q The total column, that reflects the spread to LIBOR that</p> <p>5 Swap Financial Group was using on each of these valuation</p> <p>6 dates?</p> <p>7 A According to the statement in the paragraph below that,</p> <p>8 that's correct.</p> <p>9 Q So in terms of basis points, on October 2nd, 2008, the</p> <p>10 basis points for the spread to LIBOR would be 137.1 basis</p> <p>11 points; correct?</p> <p>12 A That's correct.</p> <p>13 Q And for March 25th, 2009, it would be 387.4 basis points?</p> <p>14 A That's correct.</p> <p>15 Q Those numbers are each in parentheses. Does that have</p> <p>16 any significance?</p> <p>17 A That means that the effect is positive to the Tobacco</p> <p>18 Settlement Authority.</p> <p>19 Q Or in other words, the spread to LIBOR would be a</p> <p>20 negative spread to LIBOR?</p> <p>21 A That's correct.</p> <p>22 Q When you received this memorandum -- I'm sorry.</p> <p>23 Did you receive this memorandum on or about</p> <p>24 April 21st, 2009?</p> <p>25 A Yes.</p>
Page 58	Page 60
<p>1 BOB COOK</p> <p>2 was generated by some sort of spread to LIBOR?</p> <p>3 A Well, that's a particular factor that they mention, but</p> <p>4 there are also other factors involved here.</p> <p>5 Q What other factors --</p> <p>6 A Commercial paper spreads, changes to the municipal</p> <p>7 tobacco market, all of these things factor in and make a</p> <p>8 difference in the way that the calculation is done</p> <p>9 because events change over time.</p> <p>10 Q And are those factors incorporated into the spread to</p> <p>11 LIBOR analysis, or are they separate from that?</p> <p>12 A They're enumerated in the table that's shown on Page 3.</p> <p>13 Q And so that table on Page 3, that total column, is that</p> <p>14 the total spread to LIBOR?</p> <p>15 A It's a spread from what -- yes, it is.</p> <p>16 Q And so --</p> <p>17 A As described in the paragraph below the table.</p> <p>18 Q And so the table contains headings titled "CP Spread,"</p> <p>19 "Credit Spread," and "Profit"; correct?</p> <p>20 A That is correct.</p> <p>21 Q It appears that those spreads are totaled to reach a</p> <p>22 final spread to LIBOR; correct?</p> <p>23 A That is correct.</p> <p>24 Q And so those individual factors, such as commercial</p> <p>25 paper, credit, and profit, those are incorporated into</p>	<p>1 BOB COOK</p> <p>2 Q When you received this memorandum, did you discuss it</p> <p>3 with Swap Financial Group?</p> <p>4 A I'd have to review my calendar, but I presume that we</p> <p>5 probably did, yes.</p> <p>6 Q Who would you have discussed it with at Swap Financial</p> <p>7 Group?</p> <p>8 A Peter.</p> <p>9 Q Okay. And --</p> <p>10 A Perhaps others on his team.</p> <p>11 Q The authors of the memorandum are Peter Shapiro and James</p> <p>12 Vergara.</p> <p>13 Do you see that?</p> <p>14 A I do.</p> <p>15 Q Do you recall discussing the valuation with Mr. Vergara?</p> <p>16 A I don't recall specifically. Peter was the primary</p> <p>17 person on the account, the person that we most identified</p> <p>18 with.</p> <p>19 Q And do you know who at Swap Financial Group actually</p> <p>20 performed the calculations reflected in this memorandum?</p> <p>21 A I don't.</p> <p>22 Q Do you know if it was Mr. Shapiro or Mr. Vergara?</p> <p>23 A I don't.</p> <p>24 Q Do you know Mr. Vergara's experience?</p> <p>25 A I remember that he was experienced in this kind of</p>

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<p>1 BOB COOK</p> <p>2 transaction, and I'd have to speculate beyond that</p> <p>3 because I don't recall specifically without seeing a</p> <p>4 resume.</p> <p>5 Q Who told you that he was experienced in this type of</p> <p>6 transaction?</p> <p>7 A Mr. Shapiro.</p> <p>8 Q Were you aware that this was the first RFA that</p> <p>9 Mr. Vergara had ever valued?</p> <p>10 A No.</p> <p>11 Q Were you aware that this was the first RFA that Peter</p> <p>12 Shapiro had ever valued?</p> <p>13 A No.</p> <p>14 Q If you look at the first page of the memorandum --</p> <p>15 A Uh-huh.</p> <p>16 Q -- in the end of the second paragraph, it says, "Under</p> <p>17 the RFA, which had a scheduled termination date of</p> <p>18 May 30, 2042, the final scheduled bond payment date per</p> <p>19 Exhibit A of the RFA, LBSF provided TSA with a guaranteed</p> <p>20 rate of return of 4.484 percent."</p> <p>21 Do you see that?</p> <p>22 A I do.</p> <p>23 Q Do you know if Swap Financial Group performed this</p> <p>24 analysis assuming a scheduled termination date of the RFA</p> <p>25 as May 30th, 2042?</p>	<p>1 BOB COOK</p> <p>2 A Under the terms of the agreement, we would have received</p> <p>3 4.84 percent on the principal amount in the reserve fund</p> <p>4 agreement on a monthly basis through the termination --</p> <p>5 or through the end date of the agreement.</p> <p>6 Q And were there any other cash flows contemplated by the</p> <p>7 agreement?</p> <p>8 A Not that I recall.</p> <p>9 Q Were there cash flows as reflected in Mr. -- I'm sorry --</p> <p>10 reflected in Swap Financial's analysis of going towards</p> <p>11 Lehman?</p> <p>12 A Could you rephrase the question?</p> <p>13 Q In Swap Financial's analysis, do they contemplate two</p> <p>14 series of cash flows, one going to Washington TSA and the</p> <p>15 other going to Lehman?</p> <p>16 A In terms of the fact that this is being looked at as a</p> <p>17 swap transaction as an alternative method to value it,</p> <p>18 yes, there would be. Because the fixed rate would be</p> <p>19 going to the TSA; the variable rate side of the, in</p> <p>20 essence, swap transaction, as a marker for the RFA, in</p> <p>21 terms of valuation, would go to Lehman, the variable</p> <p>22 rate.</p> <p>23 Q And what does the variable rate going to Lehman reflect?</p> <p>24 A A current market rate for their ability to invest those</p> <p>25 dollars.</p>
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<p>1 BOB COOK</p> <p>2 A It's my presumption that they do because that's the date</p> <p>3 that they mention there.</p> <p>4 Q In fact, the RFA was amended to replace Exhibit A,</p> <p>5 showing a scheduled termination date of May 30th, 2032;</p> <p>6 correct?</p> <p>7 A Right.</p> <p>8 Q Do you know -- did you discuss that with Swap Financial</p> <p>9 Group, that the actual term of the agreement was through</p> <p>10 2032?</p> <p>11 A Not at this time.</p> <p>12 Q At some point you did?</p> <p>13 A Yes.</p> <p>14 Q But these numbers reflected in this memorandum would be</p> <p>15 through 2042; correct?</p> <p>16 A They mention that the scheduled term and -- is May 30th</p> <p>17 of 2042. So yes, I presume that is the date that they</p> <p>18 used.</p> <p>19 Q If you go down -- still on the first page, to the</p> <p>20 beginning of the fourth paragraph, it says, "In order to</p> <p>21 calculate TSA's loss we begin by analyzing the RFA cash</p> <p>22 flows."</p> <p>23 Do you see that?</p> <p>24 A Uh-huh.</p> <p>25 Q What cash flows are there under the RFA?</p>	<p>1 BOB COOK</p> <p>2 Q And where did you get that understanding?</p> <p>3 A That's just a general understanding that I have.</p> <p>4 Q Not from discussions with Swap Financial Group?</p> <p>5 A Well, that's the way swaps work, and this mentions that</p> <p>6 it's looking at a -- as a swap transaction.</p> <p>7 Q Fair enough.</p> <p>8 I'm just trying to understand if it's your personal</p> <p>9 understanding or something that you were told.</p> <p>10 A And it mentions it specifically in here, that it's looked</p> <p>11 at with the fixed rate going to the Tobacco Settlement</p> <p>12 Authority and Lehman being the party that would get the</p> <p>13 variable rate.</p> <p>14 Q A little bit later in that same paragraph, at the bottom</p> <p>15 of Page 1, it says, "The scheduled term of the RFA</p> <p>16 extended through May 30, 2042, though the agreement could</p> <p>17 have been terminated prior to that date, in the event</p> <p>18 that TSA's tobacco settlement securitization bonds are</p> <p>19 redeemed prior to their scheduled maturities."</p> <p>20 Do you see that?</p> <p>21 A I do.</p> <p>22 Q And was there an intention on the part of TSA to redeem</p> <p>23 the tobacco settlement securitization bonds prior to</p> <p>24 their scheduled maturity?</p> <p>25 A We were using all revenues that we received pursuant to</p>

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<p>1 BOB COOK</p> <p>2 our agreement with the State of Washington to pay off the</p> <p>3 bonds as quickly as possible.</p> <p>4 Q And indeed, at the time the bonds were issued, they were</p> <p>5 projected to be fully redeemed by 2019?</p> <p>6 A I believe that's correct.</p> <p>7 Q And TSA was diligently trying to pay off those bonds as</p> <p>8 quickly as possible, given the revenues it received?</p> <p>9 A Absolutely.</p> <p>10 Q And do you agree with the statement that the agreement</p> <p>11 could have been terminated if the bonds were redeemed</p> <p>12 prior to their scheduled maturity?</p> <p>13 A If they had been redeemed in total, yes.</p> <p>14 Q Okay. And do you know how that was factored into the</p> <p>15 valuation done by Swap Financial Group?</p> <p>16 A I don't know that it was relevant to the valuation</p> <p>17 because the terms of the agreement were to 2032.</p> <p>18 Q Did you discuss with Swap Financial Group if it had</p> <p>19 factored in the potential early redemption of the bonds?</p> <p>20 A I believe this clearly doesn't factor that in.</p> <p>21 Q Setting aside this memorandum, did you have discussions</p> <p>22 on or about April 2009 about whether the valuation should</p> <p>23 reflect this potential early redemption of the bonds?</p> <p>24 A I don't recall. We have discussed a number of times what</p> <p>25 the possible payoff date of the bonds would be. It</p>	<p>1 BOB COOK</p> <p>2 A I don't recall specifically having that conversation.</p> <p>3 Q And this is dated April 2009. Between January 2009, the</p> <p>4 last document we looked at, and this one, did TSA receive</p> <p>5 any additional valuations of the reserve fund agreement?</p> <p>6 A Not that I recall.</p> <p>7 Q Okay. And TSA did not have anybody else do --</p> <p>8 A No.</p> <p>9 Q -- calculations of the reserve fund agreement between</p> <p>10 January and April 2009?</p> <p>11 A No.</p> <p>12 Q At any point in time, has the Tobacco Settlement</p> <p>13 Authority, either itself or one of its advisors,</p> <p>14 calculated how much TSA would have earned if it had</p> <p>15 received 4.484 percent for every period through 2032?</p> <p>16 A Well, we know that the amount per month was about</p> <p>17 \$170,000, as I recall, so you can extrapolate from there.</p> <p>18 Q So has that calculation been done, \$170,000 a month</p> <p>19 through 2032?</p> <p>20 A Whether it's been done specifically or not, I don't</p> <p>21 recall.</p> <p>22 Q Do you rough- --</p> <p>23 A I certainly have it in a spreadsheet.</p> <p>24 Q Do you know --</p> <p>25 A I could multiply.</p>
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<p>1 BOB COOK</p> <p>2 continued to extend because tobacco smoking is down, the</p> <p>3 revenues that we projected to receive continue to fall.</p> <p>4 So the payoff was stretching out further and further and</p> <p>5 further, as was disclosed a number of times, in a number</p> <p>6 of ways, to a number of different parties.</p> <p>7 Peter was probably aware of that, but I believe, at</p> <p>8 this point in time, we determined that the termination of</p> <p>9 the agreement was, at this point in time, we thought,</p> <p>10 2042. Subsequently we did realize the mistake and it was</p> <p>11 2032. And so the valuation was done to the termination</p> <p>12 of the agreement.</p> <p>13 Q Do you recall, in April 2009, discussing that explicitly</p> <p>14 with Swap Financial Group, that you were going to value</p> <p>15 the agreement through the stated maturity date and not</p> <p>16 factor in any potential early bond redemption?</p> <p>17 A I know that we discussed valuing through the term- --</p> <p>18 through the maturity date. I don't recall if we talked</p> <p>19 about earlier dates or not.</p> <p>20 Q Okay. At any point have you had discussions with Swap</p> <p>21 Financial Group about valuing the reserve fund agreement</p> <p>22 by taking into account the potential early redemption of</p> <p>23 the bonds?</p> <p>24 A I don't recall specifically.</p> <p>25 Q You don't recall having that conversation?</p>	<p>1 BOB COOK</p> <p>2 Q Do you know, sitting here today, roughly how much that</p> <p>3 is?</p> <p>4 A I don't.</p> <p>5 Q And that 170,000 -- is that correct?</p> <p>6 A I believe that's correct.</p> <p>7 Q No, no. I just wanted to make sure I didn't say the</p> <p>8 wrong number. You said 170,000?</p> <p>9 A I said 170,000, although I'd have to refer to a document</p> <p>10 to be absolutely sure of the dollar amount.</p> <p>11 Q If you were to take \$170,000 a month for every period</p> <p>12 through 2032, you would need to discount that to present</p> <p>13 value to know a present value of --</p> <p>14 A Sure.</p> <p>15 Q -- that loss; correct?</p> <p>16 A That is correct.</p> <p>17 Q But you don't recall anyone actually doing that</p> <p>18 calculation for you?</p> <p>19 A I don't recall anyone doing it, no.</p> <p>20 Q Do you know if Swap Financial Group has ever done that</p> <p>21 calculation, itself?</p> <p>22 A I have no idea.</p> <p>23 Q They haven't told you that number?</p> <p>24 A No.</p> <p>25 Q I'm now showing you a document that's been marked as</p>

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<p>1 BOB COOK</p> <p>2 Lehman Exhibit 19, which appears to be a September 10th,</p> <p>3 2009, memorandum from Swap Financial Group to Bob Cook.</p> <p>4 Its Bates stamp is LBHI_WTSA 16814 through 16816.</p> <p>5 And have you seen this document before?</p> <p>6 A Yes.</p> <p>7 Q And you recall this document?</p> <p>8 A Yes.</p> <p>9 Q And did you receive it on or about September 10th, 2009?</p> <p>10 A Yes.</p> <p>11 Q Did you review it at the time?</p> <p>12 A Yes.</p> <p>13 Q If you look at the last document we were looking at,</p> <p>14 Lehman Exhibit 15, it's substantially similar to that</p> <p>15 document; correct?</p> <p>16 A In terms of layout and factors, yes.</p> <p>17 Q And the major difference -- and you can certainly review</p> <p>18 them, but the major difference is, the September 10th,</p> <p>19 2009, memorandum, is only done as of one valuation date,</p> <p>20 as opposed to two valuation dates?</p> <p>21 A That's correct.</p> <p>22 Q The October 2nd, 2008, valuation date's been removed?</p> <p>23 A That's correct.</p> <p>24 Q Do you know why that valuation date was removed?</p> <p>25 A Yes. Because, as of March 25th, 2009, we agreed, and</p>	<p>1 BOB COOK</p> <p>2 Q And at the start of the April 21st memorandum, it says,</p> <p>3 "Per your request."</p> <p>4 Do you see that?</p> <p>5 A Uh-huh.</p> <p>6 Q Did you request Swap Financial Group conduct this</p> <p>7 valuation reflected in the April 21st, 2009, memorandum?</p> <p>8 A Yes.</p> <p>9 Q Okay. And did you request that Swap Financial Group</p> <p>10 conduct the valuation as of those two valuation dates?</p> <p>11 A I believe that I did.</p> <p>12 Q Okay. And then the second memorandum, the</p> <p>13 September 10th, 2009, memorandum, also starts, "Per your</p> <p>14 request."</p> <p>15 Do you see that?</p> <p>16 A Uh-huh.</p> <p>17 Q And did you then request that they only conduct the</p> <p>18 valuation as of one valuation date?</p> <p>19 A Well, it's the same calculation and so on, and I believe</p> <p>20 that we had a determination by counsel, and our consensus</p> <p>21 at that point in time, that the true termination date was</p> <p>22 the date for -- that was appropriate for the calculation.</p> <p>23 The other had been speculative and was no longer</p> <p>24 relevant.</p> <p>25 Q So between April 21st, 2009, and September 10th, 2009,</p>
Page 70	Page 72
<p>1 BOB COOK</p> <p>2 through the bankruptcy court had a termination of the</p> <p>3 agreement effective that date.</p> <p>4 Q Okay. And that was effective as of March 25th, 2009;</p> <p>5 correct?</p> <p>6 A That's correct.</p> <p>7 Q Prior to the preparation of the first memorandum by Swap</p> <p>8 Financial Group; correct?</p> <p>9 A It would have been, yes.</p> <p>10 Q So why are there two valuation dates reflected in the</p> <p>11 April 21st, 2009, Swap Financial Group memorandum?</p> <p>12 A I believe, if I recall, that the -- October 2nd is the</p> <p>13 date of the bankruptcy filing of the second Lehman</p> <p>14 guaranteeing entity.</p> <p>15 Q It's the -- actually, I think, the day before the</p> <p>16 bankruptcy of LBSF, the --</p> <p>17 A Okay. Yeah, the second entity.</p> <p>18 Q Do you know why that valuation date is included in the</p> <p>19 April 21st, 2009, memorandum?</p> <p>20 A Had we not had a -- had we had an initial termination</p> <p>21 date of that date, that would have been the value then,</p> <p>22 if, for some reason, we had to value it at that point in</p> <p>23 time. But then we determined that the true termination</p> <p>24 of the agreement was March 25th, 2009, so that was the</p> <p>25 appropriate date to use.</p>	<p>1 BOB COOK</p> <p>2 there had been a legal decision or something else --</p> <p>3 A Yes.</p> <p>4 Q -- indicating that March 25th was the appropriate</p> <p>5 valuation date?</p> <p>6 A That's correct.</p> <p>7 Q And there's also an additional section in the</p> <p>8 September 10th, 2009, memorandum. At the very end, it</p> <p>9 says, "Cost of nonperformance."</p> <p>10 A Uh-huh.</p> <p>11 Q Can you tell me what the cost of nonperformance is?</p> <p>12 A This is the actual losses sustained by the Authority that</p> <p>13 were demonstrated by the results of actual investment</p> <p>14 versus what would have been earned, had the agreement</p> <p>15 stayed in place as it was supposed to be.</p> <p>16 Q And actual losses up and until March 25th, 2009?</p> <p>17 A That's what it states, yes.</p> <p>18 Q And after that point, there is no calculation as to</p> <p>19 actual loss?</p> <p>20 A That's not correct.</p> <p>21 Q Why --</p> <p>22 A There are --</p> <p>23 Q -- is that not correct?</p> <p>24 A Because there are calculations subsequent to this.</p> <p>25 Q So there are calculations of actual loss subsequent to</p>

18 (Pages 69 to 72)

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<p>1 BOB COOK</p> <p>2 March 25th, 2009, that TSA has sustained under the RFA?</p> <p>3 A Yes.</p> <p>4 Q Where are those calculations?</p> <p>5 A We have them.</p> <p>6 MS. EVANSON: He prepared some</p> <p>7 calculations yesterday, which we're happy to produce.</p> <p>8 THE WITNESS: Yes.</p> <p>9 Q (By Ms. Sawyer) And how did you prepare those</p> <p>10 calculations?</p> <p>11 A I took, by using Excel, the amount of the reserve fund</p> <p>12 agreement times the rate, and compared that to actual</p> <p>13 earnings that we received on the investments for the same</p> <p>14 period of time, took the difference, and did a future</p> <p>15 value to the -- to September 30th of 2013, which was the</p> <p>16 most recent data that I had at the time.</p> <p>17 Q So you -- just to make sure I'm following what you did,</p> <p>18 is, you figured out what the earnings would have been if</p> <p>19 you had received 4.484 percent for a given time period?</p> <p>20 A That is correct.</p> <p>21 Q And then you looked at what TSA actually earned on its</p> <p>22 reserve fund during that same time period?</p> <p>23 A That is correct.</p> <p>24 Q And then you subtracted them?</p> <p>25 A That is correct.</p>	<p>1 BOB COOK</p> <p>2 Q So is it a spreadsheet that you kind of add to as time --</p> <p>3 A Yes.</p> <p>4 Q -- goes on?</p> <p>5 A Uh-huh. Once I have actual -- actual earnings for a</p> <p>6 period of time, yeah.</p> <p>7 Q So there might not be a 2012 version of it, a, you know,</p> <p>8 2013 version --</p> <p>9 A No.</p> <p>10 Q -- it would be a --</p> <p>11 A It's cumulative.</p> <p>12 Q -- live document --</p> <p>13 A It's cumulative.</p> <p>14 Q -- that you're updating?</p> <p>15 A Yeah.</p> <p>16 Q We're both getting a little bit -- we're talking over</p> <p>17 each other a little bit, so --</p> <p>18 A Okay.</p> <p>19 Q We're both guilty of it.</p> <p>20 A I'm impatient.</p> <p>21 Q Between April 21, 2009, and September 10th, 2009, did</p> <p>22 Washington TSA receive any other valuations of the</p> <p>23 reserve fund agreement?</p> <p>24 A No.</p> <p>25 Q And did Washington TSA ask anyone else to do any</p>
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<p>1 BOB COOK</p> <p>2 Q And then added up all those totals you received?</p> <p>3 A Plus factored in for the fact that we have lost those</p> <p>4 earnings in the past, so that they would be more valuable</p> <p>5 now, such that I discounted them for future value to the</p> <p>6 current date.</p> <p>7 Q And --</p> <p>8 A So I have both the actual losses sustained over time, as</p> <p>9 well as a future value projection.</p> <p>10 MS. SAWYER: I would request a copy</p> <p>11 of --</p> <p>12 MS. EVANSON: Sure.</p> <p>13 MS. SAWYER: -- those calculations.</p> <p>14 MS. EVANSON: That's fine. I just got</p> <p>15 it yesterday.</p> <p>16 Q (By Ms. Sawyer) And you did that yourself?</p> <p>17 A I did.</p> <p>18 Q And prior to you conducting that analysis recently, had</p> <p>19 that analysis been performed prior to that date by anyone</p> <p>20 at Washington TSA?</p> <p>21 A Which date specifically?</p> <p>22 Q I don't know what date you did it, so two days ago --</p> <p>23 A Oh, yes. That's been something I've maintained since</p> <p>24 approximately -- I believe I started it sometime in 2012.</p> <p>25 And then periodically refreshed it.</p>	<p>1 BOB COOK</p> <p>2 valuations of the reserve fund agreement between</p> <p>3 April 21st, 2009, and September 10th, 2009?</p> <p>4 A Not that I recall.</p> <p>5 Q And the memorandum -- the September 10th, 2009,</p> <p>6 memorandum, as we noted, is substantially similar to the</p> <p>7 April 21st, 2009, memorandum.</p> <p>8 Does it reflect the same methodology, to the best of</p> <p>9 your understanding?</p> <p>10 A At brief glance, yes, it does.</p> <p>11 Q And the total spread reflected on the third page of the</p> <p>12 September 10th memorandum is consistent with the</p> <p>13 March 25th, 2009, spread as reflected on the April 21st,</p> <p>14 2009, memorandum; correct?</p> <p>15 A That's correct.</p> <p>16 Q I'm now showing you a document that's been marked as</p> <p>17 Lehman Exhibit 20, which, for the record, appears to be</p> <p>18 and is intended to be the proof of claim filed by</p> <p>19 Washington TSA against Lehman Brothers Special Financing,</p> <p>20 Inc., dated October 12th, 2009.</p> <p>21 A Pardon me. If it makes any difference, this is an</p> <p>22 original sticker. I didn't think I'd seen those before.</p> <p>23 Q They are original stickers on this document because we</p> <p>24 had to cover up --</p> <p>25 A Okay.</p>

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<p>1 BOB COOK</p> <p>2 Q -- an erroneous sticker underneath.</p> <p>3 A I just wanted to make sure I didn't have something I</p> <p>4 wasn't supposed to have.</p> <p>5 Q No. Fair enough. I appreciate you noting that.</p> <p>6 Did you have any involvement in putting together the</p> <p>7 proof of claim?</p> <p>8 A I reviewed, I am certain, at various times drafts of the</p> <p>9 document itself, and again, probably made suggestions</p> <p>10 either in the organization or the -- maybe some verbiage.</p> <p>11 Q And on the first page of the document, under sort of a</p> <p>12 box that has a name and address of a creditor, there is a</p> <p>13 number 1, and it says, "Amount of claim as of date case</p> <p>14 filed," and it says \$47,063,714.01.</p> <p>15 Do you see that?</p> <p>16 A I do.</p> <p>17 Q And do you know where that number came from?</p> <p>18 A That came from a valuation of Swap Financial.</p> <p>19 Q If you turn a few pages into the document -- I apologize</p> <p>20 they don't have page numbers, but you'll see that</p> <p>21 September 10th, 2009, memorandum.</p> <p>22 A Further?</p> <p>23 Q I think it's -- it's right after the --</p> <p>24 A Here we go. This is the document.</p> <p>25 Q And that's the same memorandum to you that we were just</p>	<p>1 BOB COOK</p> <p>2 (Exhibit No. 2 marked for</p> <p>3 identification.)</p> <p>4 Q (By Ms. Sawyer) The court reporter's handing you a</p> <p>5 document that's been marked as Cook 30(b)(6) Exhibit</p> <p>6 No. 2, which is a two-page document, appears to be the</p> <p>7 unsigned minutes of the May 3rd, 2012, TSA board meeting.</p> <p>8 A Yes.</p> <p>9 Q And if you turn to the second page of the memorandum --</p> <p>10 of the minutes, it says, "Mr. Herman pointed out a</p> <p>11 correction to the memo which was handed out to the board.</p> <p>12 He noted that the last sentence in the second paragraph</p> <p>13 of the second page noted the termination payment as</p> <p>14 46,437,610. The correct figure should be 38,633,451."</p> <p>15 Do you see that?</p> <p>16 A I do.</p> <p>17 Q Is that your understanding as to the valuation of the</p> <p>18 reserve fund agreement through 2032?</p> <p>19 A That appears to be correct.</p> <p>20 Q Do you know how -- when an adjustment was made to the</p> <p>21 valuation to reflect a 2032 maturity, do you know how</p> <p>22 that reduction was translated in terms of valuation, or</p> <p>23 how it was done to change the valuation?</p> <p>24 A I'm not sure I'm clear on your question.</p> <p>25 Q It wasn't a great question.</p>
Page 78	Page 80
<p>1 BOB COOK</p> <p>2 looking at in Lehman Exhibit 15?</p> <p>3 A It certainly appears to be, yes.</p> <p>4 Q In between September 10th, 2009, and October 12th, 2009,</p> <p>5 did TSA receive any other valuations of the reserve fund</p> <p>6 agreement?</p> <p>7 A No.</p> <p>8 Q And subsequent to the September 10th valuation memorandum</p> <p>9 that we in Lehman Exhibit 15, has TSA conducted any other</p> <p>10 valuations of the reserve fund agreement?</p> <p>11 A Yes. We noted the correction of the date in a subsequent</p> <p>12 filing to the 2032 date, which reduced the size of the</p> <p>13 claim.</p> <p>14 Q And you believe that there's been a filing in the</p> <p>15 bankruptcy court reflecting that?</p> <p>16 A I believe so.</p> <p>17 Q And that would --</p> <p>18 A It was a statement of some sort changing that, yes.</p> <p>19 Q And that change was to reflect the actual stated</p> <p>20 termination date of the contract of 2032?</p> <p>21 A The amended and corrected date, yes.</p> <p>22 Q And do you know what that valuation number is?</p> <p>23 A It's in the 30-some million dollar range. I don't recall</p> <p>24 the exact number. 36 million, something like that.</p> <p>25 ////</p>	<p>1 BOB COOK</p> <p>2 Do you know -- who did the calculation to -- once</p> <p>3 you adjusted for the maturity date being 2032?</p> <p>4 A Swap Financial Group.</p> <p>5 Q And do you know how Swap Financial Group adjusted the</p> <p>6 valuation to reflect the new stated maturity date of</p> <p>7 2032?</p> <p>8 A I don't know specifically how they adjusted the</p> <p>9 calculation. The effect is the fact that the -- that ten</p> <p>10 years, the -- the loss was con- -- calculated for ten</p> <p>11 fewer years.</p> <p>12 Q And do you have a general understanding that a spread to</p> <p>13 LIBOR analysis is based upon projected LIBOR rates?</p> <p>14 Correct?</p> <p>15 A Uh-huh.</p> <p>16 Q And would those projected LIBOR rates used, could they</p> <p>17 change if you were looking at a 2042 versus 2032</p> <p>18 maturity?</p> <p>19 A Well, it depends on the date that the LIBOR baseline was</p> <p>20 conducted. There -- there are calculations related to</p> <p>21 this, so it would be documented in there.</p> <p>22 Q Okay. And have you seen the calculations related to the</p> <p>23 \$38.6 million valuation?</p> <p>24 A I don't know if I've seen the calculations, other than</p> <p>25 seeing the effect of the calculations reflected in a</p>

20 (Pages 77 to 80)

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<p>1 BOB COOK</p> <p>2 revised number.</p> <p>3 Q So you've seen this number before?</p> <p>4 A Yes. Well, presuming this is the same number that's --</p> <p>5 that was accurately reflected in the minutes as compared</p> <p>6 to the filings that we created.</p> <p>7 Q Just -- I'll just note for the record, there has not been</p> <p>8 a court filing reflecting an amended number, so we're</p> <p>9 using this to try to --</p> <p>10 A Ah.</p> <p>11 Q -- estimate what TSA's valuation is reflecting the 2032</p> <p>12 maturity.</p> <p>13 A Okay.</p> <p>14 Q Do you know if Swap Financial Group, in adjusting for</p> <p>15 this maturity, adjusted its LIBOR curves that it used?</p> <p>16 A I do not know.</p> <p>17 Q Okay. And in preparation for today's testimony, did you</p> <p>18 ask if that -- those LIBOR curves had been changed?</p> <p>19 A I did not.</p> <p>20 Q In preparation for today's testimony -- let me back up.</p> <p>21 Do you have an understanding as to what LIBOR curve</p> <p>22 Swap Financial Group used in its April 21st, 2009,</p> <p>23 memorandum?</p> <p>24 A I don't have those calculations.</p> <p>25 Q And did you ask at the time?</p>	<p>1 BOB COOK</p> <p>2 Q Do you recall this valuation of the \$38.6 million being</p> <p>3 done in or about May 2012?</p> <p>4 A Obviously it was done before the date of this meeting,</p> <p>5 which was May 3rd, 2012. So yes, it would have been done</p> <p>6 before that time.</p> <p>7 Q Do you know how close in time it happened to these</p> <p>8 September and April 2009 memoranda that we had looked at</p> <p>9 before?</p> <p>10 A I don't recall. It came, I believe -- I don't recall.</p> <p>11 It was between those times, obviously.</p> <p>12 Q Okay. You don't recall if it was closer to this 2012</p> <p>13 time frame, or 2009?</p> <p>14 A I believe it may have been in early 2012.</p> <p>15 Q Okay. Do you recall the circumstances upon which this</p> <p>16 adjustment was made?</p> <p>17 A It was, I believe, in either preparation or as a result</p> <p>18 of some of the initial mediation discussions we had with</p> <p>19 Lehman Brothers.</p> <p>20 Q Which took place in 2012?</p> <p>21 A Right.</p> <p>22 Q And did you receive any memoranda -- written memorandum</p> <p>23 or anything from Swap Financial Group reflecting this new</p> <p>24 valuation?</p> <p>25 A I would think we would have, but I don't recall it</p>
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<p>1 BOB COOK</p> <p>2 A We may have discussed in general how it -- how it was</p> <p>3 done and the impact of it, but there wasn't -- I don't</p> <p>4 recall anything specific, other than the actual documents</p> <p>5 that we've seen.</p> <p>6 Q And do you know, in calculating this \$38.6 million</p> <p>7 valuation, do you know if the spread to LIBOR changed</p> <p>8 that Swap Financial Group used?</p> <p>9 A I don't know.</p> <p>10 Q Okay. And did you inquire, at the time of the</p> <p>11 calculation of the \$38.6 million, as to what the spread</p> <p>12 to LIBOR was that Swap Financial Group --</p> <p>13 A No.</p> <p>14 Q -- was using?</p> <p>15 And why didn't you inquire?</p> <p>16 A Because we were -- we were talking in general about the</p> <p>17 effect of the ten-year reduction in term. We felt</p> <p>18 comfortable with the explanations that we were given,</p> <p>19 without getting into the details, which aren't our</p> <p>20 responsibility, and we've asked Swap Financial Group to</p> <p>21 do on our behalf, as experts in the field.</p> <p>22 Q And in preparation for today's testimony, did you inquire</p> <p>23 as to whether the spread to LIBOR changed in calculating</p> <p>24 the \$38.6 million?</p> <p>25 A I did not.</p>	<p>1 BOB COOK</p> <p>2 specifically.</p> <p>3 MS. SAWYER: And I would just note for</p> <p>4 the record that we don't have any documentation</p> <p>5 supporting the \$38.6 million valuation number, and would</p> <p>6 request that.</p> <p>7 Q (By Ms. Sawyer) In between the time of the</p> <p>8 September 10th, 2009, valuation memorandum and the</p> <p>9 adjustment made to reflect the 2032 maturity of the RFA,</p> <p>10 did Washington TSA receive any other valuations of the</p> <p>11 reserve fund agreement?</p> <p>12 A No.</p> <p>13 Q And did Washington TSA calculate any other valuations of</p> <p>14 the reserve fund agreement during that time period?</p> <p>15 A No.</p> <p>16 Q And since the determination of the \$38.6 million, maybe</p> <p>17 in 2012, since that time has Washington TSA received any</p> <p>18 other valuations of the reserve fund agreement?</p> <p>19 A No.</p> <p>20 Q Okay. And has Washington TSA, itself, calculated any</p> <p>21 valuation since that time period?</p> <p>22 A No.</p> <p>23 Is it appropriate to stipulate that the TSA has</p> <p>24 never done its own calculation so it doesn't need to be</p> <p>25 asked repeatedly?</p>

21 (Pages 81 to 84)

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<p>1 BOB COOK</p> <p>2 Q Luckily I'm almost done with that topic.</p> <p>3 A Oh. I waited too long to ask.</p> <p>4 Q Going back to the deposition topics, which was the very</p> <p>5 first document I handed you --</p> <p>6 A Uh-huh.</p> <p>7 Q -- Topic 1F is the losses Washington TSA purports to have</p> <p>8 suffered as a result of the termination of the reserve</p> <p>9 fund agreement.</p> <p>10 Do you see that?</p> <p>11 A I do.</p> <p>12 Q And what losses does Washington TSA purport to have</p> <p>13 suffered as a result of the termination of the reserve</p> <p>14 fund agreement?</p> <p>15 A \$38,633,451.</p> <p>16 Q Are there any additional losses that Washington TSA</p> <p>17 purports to have suffered as a result of the termination?</p> <p>18 A I believe we have claim for attorney fees and other kinds</p> <p>19 of things in here.</p> <p>20 Q Attorney fees and advisor fees?</p> <p>21 A Yes.</p> <p>22 Q Other than the amount of the -- amount reflected in Cook</p> <p>23 30(b)(6) Exhibit 2, the \$38.6 million, and attorneys'</p> <p>24 fees and other fees, are there any other losses the TSA</p> <p>25 purports to have suffered as a result of the termination</p>	<p>1 BOB COOK</p> <p>2 extended.</p> <p>3 Q The projected redemption date has been --</p> <p>4 A The projected redemption date, yes.</p> <p>5 Q And does TSA track that information somehow as the</p> <p>6 settle- -- the tobacco settlement revenues decrease, the</p> <p>7 projected redemption date increases, is that information</p> <p>8 somehow tracked to TSA?</p> <p>9 A It's -- we ask our underwriters to provide their expert</p> <p>10 information as best guesses on that, and receive that</p> <p>11 periodically and report it to the board.</p> <p>12 Q And which underwriters do you rely upon for that</p> <p>13 information?</p> <p>14 A Barclays Capital, which formerly was Bear Stearns at the</p> <p>15 point in time when the tobacco bonds were issued.</p> <p>16 Q And that -- primarily Kym Arnone?</p> <p>17 A Kym Arnone, yes.</p> <p>18 Q Arnone. Thank you.</p> <p>19 And does that report that she and her group</p> <p>20 generate, does it explicitly say when the projected bond</p> <p>21 redemption date is now X date? Does it explicitly say</p> <p>22 that?</p> <p>23 A To a -- to the year, but nothing more specific than that.</p> <p>24 Q In preparation for today's testimony, did you review</p> <p>25 those projected redemption dates over time?</p>
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<p>1 BOB COOK</p> <p>2 of the reserve fund agreement?</p> <p>3 A Nothing that wasn't in the proof of claim.</p> <p>4 Q Turning to Topic 6, this is a topic dealing with the</p> <p>5 early projections relating to the earlier scheduled</p> <p>6 redemption of the bonds.</p> <p>7 A Uh-huh.</p> <p>8 Q Do you see that?</p> <p>9 A Uh-huh.</p> <p>10 Q And we had talked a little bit about that, at the time</p> <p>11 the bonds were issued, there was a projected redemption</p> <p>12 date of the -- early redemption date of the bonds as</p> <p>13 being 2019; correct?</p> <p>14 A Right.</p> <p>15 Q And you, I believe, said at times those projections have</p> <p>16 changed, over time?</p> <p>17 A Yes.</p> <p>18 Q And how have those projections changed over time?</p> <p>19 A As the rate of smoking has decreased more quickly than</p> <p>20 was projected in the DRI-WEFA report that was part of the</p> <p>21 bond issue in 2002, receipts have gone down more quickly,</p> <p>22 resulting in less re- -- smoking has gone down, resulting</p> <p>23 in less receipts on the MSA, which come to the TSA in</p> <p>24 order to pay off bonds. So as less money is available to</p> <p>25 pay off bonds, the ultimate redemption date has been</p>	<p>1 BOB COOK</p> <p>2 A I haven't reviewed them specifically such that I can say</p> <p>3 on this date, this was the date; this date, this was the</p> <p>4 date. We have documents to that effect.</p> <p>5 Q And what documents would those be?</p> <p>6 A Either minutes that were -- where it was reported to the</p> <p>7 board, or in some cases perhaps documents from Barclays.</p> <p>8 Q And is there -- there is not a sort of continual -- let</p> <p>9 me start that over.</p> <p>10 There's not an easily accessible way to say on X</p> <p>11 date the projection was Y? You would have to look at the</p> <p>12 minutes and see what the projection was as of the date of</p> <p>13 the minutes?</p> <p>14 A Would have to accumulate that from all the documents we</p> <p>15 have.</p> <p>16 Q It's not as if you had a spreadsheet that you were --</p> <p>17 A No.</p> <p>18 Q -- keeping that information --</p> <p>19 A No.</p> <p>20 Q -- up to date?</p> <p>21 A It's continually, over time, gotten further out.</p> <p>22 Q And do you know, sitting here, without the documents,</p> <p>23 what the projection in terms of early bond redemption was</p> <p>24 at the time of Lehman's bankruptcy in 2008?</p> <p>25 A I don't recall. It would have been in the early 2020s.</p>

22 (Pages 85 to 88)

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<p>1 BOB COOK</p> <p>2 Q And would it have substantially changed between the dates</p> <p>3 of the two Lehman bankruptcies, in September and</p> <p>4 October of 2008?</p> <p>5 A I don't believe so.</p> <p>6 Q And would it have substantially changed between</p> <p>7 September 2008 and the termination date of the reserve</p> <p>8 fund agreement in March 2009?</p> <p>9 A At some point in time, it would have slipped a year, but</p> <p>10 I don't know --</p> <p>11 Q So --</p> <p>12 A -- exactly at what point in time.</p> <p>13 Q So it would have been approximately sometime in the early</p> <p>14 2020s --</p> <p>15 A Yes.</p> <p>16 Q -- would have been the projected redemption date?</p> <p>17 A Uh-huh.</p> <p>18 Q And do you know how that projected redemption date is</p> <p>19 determined?</p> <p>20 A It is taking what is known at this point in time and then</p> <p>21 continuing to project out the impact of smoking declines</p> <p>22 and smoking declines that are known at that time, and</p> <p>23 then future smoking declines.</p> <p>24 Q The next topic on -- that you've been designated for is</p> <p>25 the 11A, which is the consideration of an entry into any</p>	<p>1 BOB COOK</p> <p>2 Q And has Washington TSA entered into any alternate</p> <p>3 investment arrangements for the reserve fund?</p> <p>4 A Nothing other than maintaining a money market.</p> <p>5 Q And why not?</p> <p>6 A There are a lot of -- okay. We'll just start. Many of</p> <p>7 the proposals that we received from the trustee, for</p> <p>8 instance, did not provide, at the time that they were</p> <p>9 provided, an additional interest amount that was</p> <p>10 significant compared to the amount of risk that might</p> <p>11 have been undertaken.</p> <p>12 Some of the other transactions, specifically the</p> <p>13 Barclays structure that was proposed later in 2011,</p> <p>14 involved a swap. The Tobacco Settlement Authority and</p> <p>15 the Housing Finance Commission, where we all come from,</p> <p>16 is very conservative in the -- terms of entering into</p> <p>17 swaps. There are state law issues that affect our</p> <p>18 ability to enter into a swap. We have to have a swap</p> <p>19 policy. We have to consider all of the risks.</p> <p>20 And given the fact that the Tobacco Settlement</p> <p>21 Authority had already sustained a situation that was</p> <p>22 unforeseeable, a bankruptcy of a counterparty, the fact</p> <p>23 that counterparties have been downgraded significantly</p> <p>24 over time, those are the general reasons that we haven't</p> <p>25 entered into any alternative investment.</p>
Page 90	Page 92
<p>1 BOB COOK</p> <p>2 replacement transactions --</p> <p>3 A Uh-huh.</p> <p>4 Q -- including proposals from third parties.</p> <p>5 A Uh-huh.</p> <p>6 Q What's your understanding of replacement transactions?</p> <p>7 A Replacement transactions would have been entering into</p> <p>8 another reserve fund agreement after the termination</p> <p>9 date.</p> <p>10 Q Would it include things like entering into a guaranteed</p> <p>11 investment contract?</p> <p>12 A Possibly.</p> <p>13 Q Okay. And tell me what Washington TSA considered in</p> <p>14 terms of replacement transactions following the Lehman</p> <p>15 bankruptcy.</p> <p>16 A Well, there have been a number of things over time.</p> <p>17 Initially, the money was held in a money market fund.</p> <p>18 We -- that was provided by the trustee. Over a period of</p> <p>19 time, we moved into a different money market fund that</p> <p>20 was paying a higher return.</p> <p>21 We received periodic quotes from the trustee on</p> <p>22 alternative investments. We have received proposals,</p> <p>23 from time to time, on other possible structures to</p> <p>24 replace the agreement, one from Barclays that I can think</p> <p>25 of particularly.</p>	<p>1 BOB COOK</p> <p>2 Q So the -- you didn't -- some of the investments proposed,</p> <p>3 the interest rate didn't justify the risks associated</p> <p>4 with it?</p> <p>5 A That's right. For the short period of time, they would</p> <p>6 have been available. Also, the interest rate environment</p> <p>7 was a consideration. We certainly thought interest rates</p> <p>8 would come back and be higher than they have been.</p> <p>9 They've continued at a very low level for a very</p> <p>10 long time, which was -- at various stages during this</p> <p>11 time, we thought within six months, 12 months, that</p> <p>12 interest rate environment was going to begin to recover,</p> <p>13 so we didn't want to lock ourselves into an artificially</p> <p>14 low rate. And we locked in for a long period of time at</p> <p>15 a much lower rate than the guaranteed rate of 4.484</p> <p>16 percent that we had on the initial investment.</p> <p>17 Q Were some of the proposals that you received long-term</p> <p>18 contracts that would have locked you in, as you said?</p> <p>19 A Some of them were, yes.</p> <p>20 Q And the rate wasn't sufficiently high to be locked in at</p> <p>21 that rate?</p> <p>22 A Given the risks, and also the fact that the principal had</p> <p>23 to be maintained at the -- at the level that was there,</p> <p>24 so we did feel the swap transaction, for instance, would</p> <p>25 have to be booked as far as gain or loss, and we could</p>

23 (Pages 89 to 92)

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<p>1 BOB COOK</p> <p>2 not sustain that in a reserve fund, which -- where we had</p> <p>3 said through the indenture would be maintained at a -- at</p> <p>4 a particular amount.</p> <p>5 Q And who was involved in the discussions about not being</p> <p>6 interested in entering into a swap transaction?</p> <p>7 A In general, all of these transactions were internal</p> <p>8 Tobacco Settlement Authority staff, in consultation with</p> <p>9 advisors.</p> <p>10 Q Were these proposals discussed with the board?</p> <p>11 A None of them passed muster with the staff, so none of</p> <p>12 them were taken to the board, that I can recall.</p> <p>13 (Exhibit No. 3 marked for</p> <p>14 identification.)</p> <p>15 Q (By Ms. Sawyer) The court reporter's handed you a</p> <p>16 document that's been marked as Cook 30(b)(6) Exhibit</p> <p>17 No. 3, which is a single-paged document Bates-stamped</p> <p>18 U.S. Bank 724. It appears to be an email from Kim Herman</p> <p>19 on November 7th, 2008, to Bob Cook and others, and the</p> <p>20 subject is "Lehman investment and tobacco reserves."</p> <p>21 A Uh-huh.</p> <p>22 Q Have you had a chance to glance at this document?</p> <p>23 A Uh-huh.</p> <p>24 Q Do you recall this email?</p> <p>25 A Not specifically, but I probably have seen it. Yes, I'm</p>	<p>1 BOB COOK</p> <p>2 keep the reserve fund in a -- an appropriately rated</p> <p>3 category. Plus at that point in time, while there may</p> <p>4 have been a bond insurer that was AA rated at that time,</p> <p>5 there was such turmoil in the market that there were no</p> <p>6 highly rated bond insurers that I can recall shortly</p> <p>7 after this. So there was a lot of market risk going on,</p> <p>8 still a lot of turmoil in the market because of the</p> <p>9 events of the fall of 2008.</p> <p>10 Q Did you discuss this proposal in the fall of 2008 with</p> <p>11 TSA staff?</p> <p>12 A We would have within staff, yeah.</p> <p>13 Q But you would not have discussed it with the board?</p> <p>14 A No.</p> <p>15 Q And did you, the staff, in fact consult to see whether or</p> <p>16 not the funds could be placed in an uncollateralized GIC?</p> <p>17 A We would have had discussions with the finance team at</p> <p>18 that point in time.</p> <p>19 Q And who's --</p> <p>20 A I don't recall -- I don't recall specifically the</p> <p>21 discussions.</p> <p>22 Q Who's the finance team?</p> <p>23 A The finance team are bond counsel, underwriters,</p> <p>24 financial advisors, and the TSA staff.</p> <p>25 Q So bond counsel -- you're sometimes getting in the sun.</p>
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<p>1 BOB COOK</p> <p>2 CC'd, so of course I've seen it.</p> <p>3 Q And in the middle -- it's from Kym Arnone is --</p> <p>4 A Arnone.</p> <p>5 Q Arnone -- Kym Arnone at Barclays Capital, and she says,</p> <p>6 "We have been approached by an AA-rated insurer who is</p> <p>7 willing to take tobacco risk on an uncollateralized GIC.</p> <p>8 I would be happy to discuss further with you tomorrow if</p> <p>9 you'd like."</p> <p>10 Do you see that?</p> <p>11 A I do.</p> <p>12 Q This is in the fall of 2008.</p> <p>13 A Uh-huh.</p> <p>14 Q Is this the GIC proposal that you were talking about that</p> <p>15 involved a swap?</p> <p>16 A No.</p> <p>17 Q And did you engage -- did TSA engage in discussions with</p> <p>18 Barclays about this uncollateralized GIC in the fall of</p> <p>19 2008?</p> <p>20 A I don't know if we had more discussion than this or not,</p> <p>21 but we wouldn't have entered into an uncollateralized</p> <p>22 GIC.</p> <p>23 Q Why not?</p> <p>24 A Because of the -- I -- first of all, I'm not sure it</p> <p>25 would have met the terms of the indenture in order to</p>	<p>1 BOB COOK</p> <p>2 I don't --</p> <p>3 A Yeah.</p> <p>4 Q If you need to scoot somewhere, you can.</p> <p>5 A No, I'm fine actually.</p> <p>6 Q Okay. Bond counsel, who was bond counsel in 2008?</p> <p>7 A Faith Pettis and Jay Reich at K&L Gates.</p> <p>8 Q And you said underwriters. Do you know who would have</p> <p>9 been the underwriters --</p> <p>10 A Barclays.</p> <p>11 Q -- on the financing?</p> <p>12 Barclays?</p> <p>13 A Uh-huh.</p> <p>14 Q The woman who sent this GIC?</p> <p>15 A Yes.</p> <p>16 Q And then the financial advisors at this time? Who would</p> <p>17 have been part of this --</p> <p>18 A PFM.</p> <p>19 Q PFM would have been part of this discussion regarding</p> <p>20 this --</p> <p>21 A Likely. If it even raised to that level, frankly.</p> <p>22 Q The court reporter just sighed at us because we were</p> <p>23 talking over each other.</p> <p>24 And TSA did not enter into, at any time, a GIC,</p> <p>25 collateralized or otherwise?</p>

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<p>1 BOB COOK</p> <p>2 A That's correct.</p> <p>3 Q I'm now showing you a document that's been marked as</p> <p>4 Lehman Exhibit 17, which is a single-page document</p> <p>5 Bates-stamped TSA 8827, and it -- email -- appears to be</p> <p>6 an email from you to TSA staff, dated June 2009.</p> <p>7 A Uh-huh.</p> <p>8 Q And do you recognize this email?</p> <p>9 A I do.</p> <p>10 Q And you had told me, before we started looking at some of</p> <p>11 these documents, that you had placed the funds in a money</p> <p>12 market account, the reserve fund in a money market</p> <p>13 account?</p> <p>14 A That's correct.</p> <p>15 Q Okay. And from the -- at the time of Lehman's</p> <p>16 bankruptcy, did -- TSA did not have the funds, the</p> <p>17 reserve fund; correct?</p> <p>18 MS. EVANSON: Object to the form.</p> <p>19 THE WITNESS: At the -- at the --</p> <p>20 MS. EVANSON: Sorry.</p> <p>21 THE WITNESS: At the time of the</p> <p>22 bankruptcy, we held -- the trustee held the securities.</p> <p>23 Q (By Ms. Sawyer) Then at some point a few months after</p> <p>24 the bankruptcy, those securities matured, and then TSA</p> <p>25 had its reserve fund again; correct?</p>	<p>1 BOB COOK</p> <p>2 available investment options from someone named Debbie</p> <p>3 Kuykendall?</p> <p>4 A That's correct.</p> <p>5 Q And who's Debbie Kuykendall?</p> <p>6 A Debbie Kuykendall is the trustee at U.S. Bank who</p> <p>7 administers the Tobacco Settlement Authority's bonds.</p> <p>8 Q And you'd indicated that -- before, that the trustee had</p> <p>9 given you options from time to time?</p> <p>10 A That is correct.</p> <p>11 Q And is this the options she had provided you at this</p> <p>12 time?</p> <p>13 A At this time.</p> <p>14 Q And underneath sort of the options, she has variable rate</p> <p>15 options and fixed rate options here, you have, "Finally,</p> <p>16 Roan Blacker from PFM and I chatted about this issue, and</p> <p>17 he is going to poll their asset management group to see</p> <p>18 if they have any ideas."</p> <p>19 A Uh-huh.</p> <p>20 Q Do you recall what ideas PFM had to invest the reserve</p> <p>21 fund?</p> <p>22 A I don't recall specifically whether there was a follow-up</p> <p>23 to this from them.</p> <p>24 Q Do you recall at any time receiving suggestions or</p> <p>25 proposals from PFM as to what to do with the reserve</p>
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<p>1 BOB COOK</p> <p>2 A When Lehman failed to perform on the contract, the</p> <p>3 securities, when they matured, were the property and --</p> <p>4 turned into cash for the Authority, held by the trustee.</p> <p>5 Q And turned into cash equaling the reserve fund plus</p> <p>6 4.484 percent for that time period; correct?</p> <p>7 A Yes, up to that time period.</p> <p>8 Q And that was December 1st, 2008?</p> <p>9 A Yes. Actually, I need to go back -- I would need to look</p> <p>10 to see whether we actually got paid interest up through</p> <p>11 that date at the 4.484 percent because, after the</p> <p>12 bankruptcy, I'm not sure if we continued to receive that</p> <p>13 interest. I don't recall offhand.</p> <p>14 Q But in any event, you at least got the --</p> <p>15 A We did get the principal. Sorry.</p> <p>16 Q So as of December 1st, 2008, at least TSA had gotten its</p> <p>17 reserve fund back?</p> <p>18 A We had the principal intact.</p> <p>19 Q Okay. And then following December 1st, 2008, you placed</p> <p>20 the reserve fund into a money market account?</p> <p>21 A That's correct.</p> <p>22 Q And it's stayed in a money market account, maybe a</p> <p>23 different money market account, since that time?</p> <p>24 A That's correct.</p> <p>25 Q And in this email you lay out some strategies of</p>	<p>1 BOB COOK</p> <p>2 fund?</p> <p>3 A I'd have to review all of the documents again. I don't</p> <p>4 recall specifically.</p> <p>5 Q In preparation for today's testimony, do you recall</p> <p>6 reviewing any proposals from PFM as to how to invest the</p> <p>7 reserve fund?</p> <p>8 A I don't recall specifically.</p> <p>9 Q And the next sentence, you say, With rates so low, I am</p> <p>10 hesitant to, quote, chase rates and money market funds.</p> <p>11 Do you see that?</p> <p>12 A I do.</p> <p>13 Q What do you mean by that?</p> <p>14 A I meant moving from one money market fund to another on a</p> <p>15 continual basis as maybe this week one has a higher rate,</p> <p>16 this week another one has a higher rate.</p> <p>17 Administratively, it would be a nightmare to maintain and</p> <p>18 track, and frankly find -- find them.</p> <p>19 Q Who would be responsible for doing that administrative</p> <p>20 work?</p> <p>21 A The Tobacco Settlement Authority staff.</p> <p>22 Q Not the trustee?</p> <p>23 A The trustee can provide options, but again, that would be</p> <p>24 beyond their purview.</p> <p>25 Q So that -- you were hesitant to do that because of the</p>

25 (Pages 97 to 100)

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<p>1 BOB COOK</p> <p>2 administrative work?</p> <p>3 A Partly.</p> <p>4 Q And what else?</p> <p>5 A Well, we did actually change money market funds, so we</p> <p>6 did that, but we were not going to be changing them on a</p> <p>7 frequent basis. We maintained it into a fund that we</p> <p>8 changed to because it maintained rates that were fairly</p> <p>9 competitive, and the most competitive in many cases, over</p> <p>10 a period of time.</p> <p>11 Q And where did you get the information about the money</p> <p>12 market accounts that you placed the reserve fund?</p> <p>13 A The initial was First American Prime Obligation money</p> <p>14 market mutual fund, which is quoted in this exhibit. It</p> <p>15 is a fund provided by the trustee. And we, as staff, had</p> <p>16 previous exposure to the Fidelity prime money market</p> <p>17 fund, which is where we did move the proceeds.</p> <p>18 Q And have the -- has the reserve fund only been in those</p> <p>19 two money market accounts?</p> <p>20 A Yes.</p> <p>21 Q No others?</p> <p>22 A No others.</p> <p>23 Q At any point following Lehman's bankruptcy, has TSA</p> <p>24 developed a strategy to try to maximize its return on the</p> <p>25 reserve fund?</p>	<p>1 BOB COOK</p> <p>2 Exhibit 26, I believe.</p> <p>3 A Okay.</p> <p>4 Q Do you recognize this document?</p> <p>5 A I do.</p> <p>6 Q It's a single-page document, for the record. Actually, I</p> <p>7 think it's double -- two pages.</p> <p>8 A Yes.</p> <p>9 Q Do you recognize this document?</p> <p>10 A I do.</p> <p>11 Q What is this document?</p> <p>12 A It's an email from John McCarthy to me and some other</p> <p>13 parties to -- "Attached are secured and unsecured</p> <p>14 investment agreement rate indications."</p> <p>15 Q And did you receive this in or about March 2011?</p> <p>16 A I did.</p> <p>17 Q Do you know John McCarthy?</p> <p>18 A I do.</p> <p>19 Q How do you know him?</p> <p>20 A He has been a person that has called on me as our -- in</p> <p>21 my capacity at the Washington State Housing Finance</p> <p>22 Commission, as well as Tobacco Settlement Group -- or</p> <p>23 Authority.</p> <p>24 Q What sort of work does Mr. McCarthy do?</p> <p>25 A They have a proprietary bid platform for investment</p>
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<p>1 BOB COOK</p> <p>2 A We have reviewed proposals over time. We continue to get</p> <p>3 some different rates from the trustee over time. So</p> <p>4 we've continued to review the situation.</p> <p>5 Q Have you asked any of your financial advisors to put</p> <p>6 together proposals on how to maximize returns on the</p> <p>7 reserve fund?</p> <p>8 A We have had discussions to that effect at various times,</p> <p>9 to the point where we determined that we weren't willing</p> <p>10 to go with some of the more esoteric things that might be</p> <p>11 out there, more risky.</p> <p>12 Q And with whom did you have discussions about such</p> <p>13 strategies?</p> <p>14 A Primarily internally, and periodically we may have</p> <p>15 certainly talked to U.S. Bank and Debbie Kuykendall, and</p> <p>16 possibly Roan at various times at PFM.</p> <p>17 Q Did you ever discuss it with Swap Financial Group?</p> <p>18 A We did eventually later, in two thousand -- after they</p> <p>19 had been engaged at some point in time, we did talk about</p> <p>20 possible reinvestment.</p> <p>21 Q But you hadn't -- you didn't take any of the actions</p> <p>22 suggested by any of those advisors?</p> <p>23 A When we considered all the factors, we didn't feel that</p> <p>24 it was appropriate.</p> <p>25 Q I'm showing you a document that's been marked as Lehman</p>	<p>1 BOB COOK</p> <p>2 agreements.</p> <p>3 Q What does that mean?</p> <p>4 A They have a Web-based platform on which they bid</p> <p>5 investment agreements.</p> <p>6 Q And he says, "Bob, attached are the secured and unsecured</p> <p>7 investment agreement rate indications we discussed."</p> <p>8 Do you recall having a discussion with him about</p> <p>9 investment agreements in March 2011?</p> <p>10 A Yes.</p> <p>11 Q And what was that discussion?</p> <p>12 A On the back page, he's indicated some different</p> <p>13 institutions' ratings, and options as to rates on various</p> <p>14 investment agreements, uncollateralized and</p> <p>15 collateralized.</p> <p>16 Q Did you reach out to Mr. McCarthy, or did he reach out to</p> <p>17 you?</p> <p>18 A I don't recall how the communication -- we chat</p> <p>19 periodically, so I don't recall how it came up</p> <p>20 specifically.</p> <p>21 Q You had a discussion before receiving this email?</p> <p>22 A Yes.</p> <p>23 Q And it looks to me as if he's run some sort of bid</p> <p>24 process for Washington TSA?</p> <p>25 A I think he calls them indicative indications.</p>

26 (Pages 101 to 104)

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<p>1 BOB COOK</p> <p>2 Q Rate indications?</p> <p>3 A Right.</p> <p>4 Q He lists actual providers and the --</p> <p>5 A Yes.</p> <p>6 Q -- rates they would give for an investment agreement for</p> <p>7 a deposit of \$47 million?</p> <p>8 A That's correct.</p> <p>9 Q Approximately the size of the reserve fund; correct?</p> <p>10 A That's correct.</p> <p>11 Q He has them both for uncollateralized and collateralized</p> <p>12 investment --</p> <p>13 A That's correct.</p> <p>14 Q And what did Washington TSA do with this information once</p> <p>15 it received it?</p> <p>16 A We looked at it internally. I'm not sure that we would</p> <p>17 have necessarily consulted other people. This was in,</p> <p>18 again, 2011. We would not have considered an</p> <p>19 uncollateralized agreement, so the top box is irrelevant</p> <p>20 to us.</p> <p>21 The second group are various banking institutions,</p> <p>22 again, given the crisis of confidence in the market,</p> <p>23 these institutions have been downgraded, even though they</p> <p>24 were still in the A category, and they have a five-year</p> <p>25 maturity quote and a 12-year maturity quote.</p>	<p>1 BOB COOK</p> <p>2 industry.</p> <p>3 (Mr. Paul Lawrence enters.)</p> <p>4 Q Did you have any discussions with Swap Financial Group at</p> <p>5 this time about projections for interest rates to</p> <p>6 increase?</p> <p>7 A I don't recall that we did.</p> <p>8 Q Do you recall discussing with Swap Financial Group this</p> <p>9 proposal or other proposals received in 2011?</p> <p>10 A I don't with this one.</p> <p>11 Q Do you recall discussing other proposals you received in</p> <p>12 2011 with --</p> <p>13 A I think the Barclays one, we did discuss with them.</p> <p>14 Q Again, try to wait until I finish my question before you</p> <p>15 answer. Thank you.</p> <p>16 (Exhibit No. 4 marked for</p> <p>17 identification.)</p> <p>18 Q (By Ms. Sawyer) The court reporter's handing you a</p> <p>19 document that's been marked as Cook 30(b)(6) Exhibit</p> <p>20 No. 4, which is a two-page document Bates-stamped TSA</p> <p>21 24540 to --</p> <p>22 A May I ask something?</p> <p>23 Q Yes.</p> <p>24 A I think you said this was the only copy of this. Did you</p> <p>25 need this -- does somebody else need this?</p>
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<p>1 BOB COOK</p> <p>2 Q And for example, the CitiGroup quote, the 5-year maturity</p> <p>3 quote's 1.63 percent?</p> <p>4 A Right.</p> <p>5 Q And the 12-year maturity quote's 2.95 percent?</p> <p>6 A That's correct.</p> <p>7 Q And did Washington TSA consider, you know, the A-rated</p> <p>8 CitiGroup quote for 12 years at 12.95 percent?</p> <p>9 A We would have considered all of these and dismissed them</p> <p>10 Q And why would you dismiss them?</p> <p>11 A Because, first of all, we were concerned about the</p> <p>12 ratings of the institutions. The institutions were still</p> <p>13 in various states of crisis, if you will. We were also</p> <p>14 concerned at this point in time, we believed that</p> <p>15 interest rates were likely going to head up within six to</p> <p>16 twelve months of this period, so we were reluctant to</p> <p>17 lock into these low rates for a period of time.</p> <p>18 In retrospect, they look better than they did at the</p> <p>19 time, simply because, again, we thought the interest rate</p> <p>20 environment was going to be improving more quickly than</p> <p>21 it's proved to be so far.</p> <p>22 Q And what was the -- on what basis did you believe the</p> <p>23 interest rates were going to be improving?</p> <p>24 A Just general knowledge of the industry, talking with</p> <p>25 different -- just in terms of what we were hearing in the</p>	<p>1 BOB COOK</p> <p>2 Q It can stay in your pile. Thank you.</p> <p>3 MS. EVANSON: I'll take care of it.</p> <p>4 Thank you, though, Bob.</p> <p>5 Q (By Ms. Sawyer) Cook Exhibit 4 -- 30(b)(6) Exhibit 4 is</p> <p>6 24540 through 24541. It's an email chain dated</p> <p>7 March 31st, 2011.</p> <p>8 A Uh-huh.</p> <p>9 Q And the bottom email appears to be the same email that we</p> <p>10 just were looking at from John McCarthy on March 4th,</p> <p>11 2011.</p> <p>12 Do you see that?</p> <p>13 A I do.</p> <p>14 Q And then it appears to be a discussion -- or email</p> <p>15 discussion among individuals at the TSA.</p> <p>16 A That's correct.</p> <p>17 Q And Kim Herman tells you at 10:22, he says, "I presume we</p> <p>18 don't want an uncollateralized investment"; is that</p> <p>19 correct?</p> <p>20 A That's correct.</p> <p>21 Q And we discussed that TSA was not interested in an</p> <p>22 uncollateralized investment; correct?</p> <p>23 A That's correct.</p> <p>24 Q And you write back, "I agree, however, even the</p> <p>25 collateralized ones are significantly above money market</p>

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<p>1 BOB COOK</p> <p>2 and other current options"?</p> <p>3 A I do.</p> <p>4 Q Do you know approximately what TSA was earning in its</p> <p>5 money market account in March of 2011?</p> <p>6 A I'd have to look at the record. I don't recall.</p> <p>7 Q Less than 2.75 percent?</p> <p>8 A Yes.</p> <p>9 Q Significantly less?</p> <p>10 A Yes.</p> <p>11 Q Do you recall any further discussion about those rates,</p> <p>12 now that you've looked at this email chain?</p> <p>13 A I don't recall additional discussion.</p> <p>14 Q Okay. This proposal from Grant Street Group, this bid</p> <p>15 process, this was never discussed with the board?</p> <p>16 A Absolutely not.</p> <p>17 Q Okay.</p> <p>18 A It did not rise -- did not go past the staff level.</p> <p>19 Q And why not?</p> <p>20 A Because the board wouldn't make decisions on that.</p> <p>21 Q Why wouldn't the board make decisions on how the reserve</p> <p>22 fund should be invested?</p> <p>23 A Because that had been delegated as part of the delegation</p> <p>24 of the bond issue at the time the bond issue was made.</p> <p>25 Q Was that an express delegation that was made at the time</p>	<p>1 BOB COOK</p> <p>2 document that's been marked as 30(b)(6) -- Cook 30(b)(6)</p> <p>3 Exhibit No. 5. It's a multipage document Bates-stamped</p> <p>4 U.S. Bank's 686 through 688, and it appears to be an</p> <p>5 email chain among you and Deborah Kuykendall and others</p> <p>6 from June of 2011.</p> <p>7 Do you see that?</p> <p>8 A I do.</p> <p>9 Q And do you recall this email exchange with</p> <p>10 Ms. Kuykendall?</p> <p>11 A Yes.</p> <p>12 Q Okay. And tell me what you recall about it.</p> <p>13 A I have to refresh my memory by looking at it. This was a</p> <p>14 continuing pattern of discussion between U.S. Bank and</p> <p>15 ourselves in bringing alternative investments for the</p> <p>16 reserve fund agreement to our attention from time to</p> <p>17 time.</p> <p>18 Q So just another email from U.S. Bank about potential</p> <p>19 options for the reserve fund?</p> <p>20 A That's correct.</p> <p>21 Q And she says in the next to the top email, it says, "I am</p> <p>22 just checking in to see if you wanted to make any</p> <p>23 investments in the TSA reserve or leave the funds in the</p> <p>24 money market."</p> <p>25 Do you see that?</p>
Page 110	Page 112
<p>1 BOB COOK</p> <p>2 the bond issue was made?</p> <p>3 A It was a broad delegation to administer the bond issue.</p> <p>4 Q And pursuant to administering the bond issue, the TSA had</p> <p>5 been delegated authority to invest the reserve fund as it</p> <p>6 saw fit?</p> <p>7 A Not as it saw fit. As it met the needs of the Authority</p> <p>8 and the terms of the indenture.</p> <p>9 Q Had the board ever expressed interest in how the reserve</p> <p>10 fund was being invested after Lehman's bankruptcy?</p> <p>11 A We probably discussed it at some point in time, that it</p> <p>12 continued to be in money markets.</p> <p>13 Q Do you recall, at any point in time, any board members</p> <p>14 asking to be part of the decision-making process on how</p> <p>15 the reserve fund was invested?</p> <p>16 A I don't believe so.</p> <p>17 Q Do you --</p> <p>18 A I don't -- I should say I don't recall.</p> <p>19 Q If a board member had asked to be part of that process,</p> <p>20 would you have included that board member?</p> <p>21 A That would have been up to Mr. Herman. He's the</p> <p>22 executive director.</p> <p>23 (Exhibit No. 5 marked for</p> <p>24 identification.)</p> <p>25 Q (By Ms. Sawyer) The court reporter's handed you a</p>	<p>1 BOB COOK</p> <p>2 A I do.</p> <p>3 Q And you write back, "Let's leave them for now. We're</p> <p>4 trying to work on a longer term strategy"?</p> <p>5 A That's correct.</p> <p>6 Q What's the longer-term strategy?</p> <p>7 A That would provide us a secure, longer-term term that we</p> <p>8 felt would, in the term of the agreement, exceed what</p> <p>9 interest rates might rise to.</p> <p>10 Q And at TSA did you have an internal threshold as to what</p> <p>11 that interest -- what that number would be?</p> <p>12 A We did not have a strike point.</p> <p>13 Q Higher than 2.75 percent?</p> <p>14 A There are many variables that are affected in this, so I</p> <p>15 would not speculate on a rate because there are many</p> <p>16 options that we would consider in addition to rate.</p> <p>17 Q But at this point you hadn't seen anything that met your</p> <p>18 qualifications?</p> <p>19 A That's correct.</p> <p>20 Q I'm now showing you a document that's been marked as</p> <p>21 Lehman Exhibit 27. It's a two-page document Bates-</p> <p>22 stamped TSA 15322 through 15323.</p> <p>23 Have you seen this document before?</p> <p>24 A I have.</p> <p>25 Q Is this the Barclays proposal that you had mentioned</p>

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<p style="text-align: right;">Page 113</p> <p>1 BOB COOK</p> <p>2 earlier?</p> <p>3 A I believe it is, yes.</p> <p>4 Q And you mentioned that it involved some sort of a swap?</p> <p>5 A This is not a swap. This is a GIC.</p> <p>6 Q And it's a GIC providing for a fixed rate of</p> <p>7 2.75 percent, or a variable rate over a three-month LIBOR</p> <p>8 of 1.5 percent?</p> <p>9 A I can't read the headings, but the 1.5 percent and</p> <p>10 2.75 percent are there.</p> <p>11 Q Okay. And do you recall discussing -- this is in</p> <p>12 November 2011.</p> <p>13 Do you recall discussing this proposed GIC from</p> <p>14 Barclays?</p> <p>15 A Not specifically. This is an uncollateralized GIC, so we</p> <p>16 wouldn't have considered it.</p> <p>17 Q And why would you not consider an uncollateralized GIC?</p> <p>18 A Because we had been through, at this point in time, the</p> <p>19 bankruptcy of a counterparty. And we were not confident</p> <p>20 of the viability of some financial institutions, or any</p> <p>21 financial institution during the period of time.</p> <p>22 Q And did you -- was that -- who made the decision about</p> <p>23 that, the not wanting to take the risk of an</p> <p>24 uncollateralized GIC?</p> <p>25 A Staff.</p>	<p style="text-align: right;">Page 115</p> <p>1 BOB COOK</p> <p>2 A Uh-huh.</p> <p>3 Q What discussions had you had with Swap Financial Group at</p> <p>4 this time regarding the reinvestment of TSA's reserve</p> <p>5 fund?</p> <p>6 A It appears that we had asked for thoughts of Swap</p> <p>7 Financial Group, if they had thoughts in terms of how</p> <p>8 might we invest the reserve.</p> <p>9 Q And do you recall the discussions with Swap Financial</p> <p>10 Group about how to invest the reserve fund?</p> <p>11 A Prior to this memo?</p> <p>12 Q Yes.</p> <p>13 A Not specifically.</p> <p>14 Q Do you recall them generally?</p> <p>15 A I can only presuppose that we asked for this kind of</p> <p>16 discussion.</p> <p>17 Q Do you recall receiving this memorandum?</p> <p>18 A Not specifically, but I'm sure I've seen it and read it.</p> <p>19 Q The recommendations made by Swap Financial Group is to</p> <p>20 kind of break the reserve fund into three tranches, he</p> <p>21 says, and invest part of it into some sort of GIC, a</p> <p>22 guaranteed investment contract --</p> <p>23 A Uh-huh.</p> <p>24 Q -- put some of it into a CD --</p> <p>25 A Uh-huh.</p>
<p style="text-align: right;">Page 114</p> <p>1 BOB COOK</p> <p>2 Q Did staff discuss that decision with any financial</p> <p>3 advisors?</p> <p>4 A I can't say specifically.</p> <p>5 Q Did staff discuss with any advisors at all protections</p> <p>6 that could be put in place in connection with an</p> <p>7 uncollateralized GIC that would reduce some of those</p> <p>8 risks?</p> <p>9 A I don't recall those discussions.</p> <p>10 Q Did TSA ever inquire of anyone of other protections that</p> <p>11 might be available in the case of an uncollateralized</p> <p>12 GIC?</p> <p>13 A I believe not.</p> <p>14 (Exhibit No. 6 marked for</p> <p>15 identification.)</p> <p>16 Q (By Ms. Sawyer) The court reporter's handing you a</p> <p>17 document that's been marked as Cook 30(b)(6) Exhibit 6,</p> <p>18 which is Bates-stamped TSA 38481 through 38484. And it</p> <p>19 appears to be a memorandum from Swap Financial Group to</p> <p>20 you and Carol Johnson, dated November 16th, 2011.</p> <p>21 Do you recognize this memorandum?</p> <p>22 A Yes.</p> <p>23 Q And it says -- it starts by saying, "Following up on our</p> <p>24 discussions."</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 116</p> <p>1 BOB COOK</p> <p>2 Q -- and then put some of it into a swap.</p> <p>3 A Uh-huh.</p> <p>4 Q And if you turn to Page 3 of the memorandum, right under,</p> <p>5 he breaks up the sizes of the different tranches, he</p> <p>6 says, combined we would anticipate an average yield of</p> <p>7 approximately 2.6 percent.</p> <p>8 Do you see that?</p> <p>9 A Uh-huh.</p> <p>10 Q Do you recall Swap Financial Group making this proposal</p> <p>11 to TSA?</p> <p>12 A Yes.</p> <p>13 Q And what was the discussion about this proposal at TSA?</p> <p>14 A We had a discussion internally, and as I recall, we did</p> <p>15 have a follow-up call regarding this.</p> <p>16 Q And what was the internal discussion?</p> <p>17 A The discussion was that we should have a call with Peter</p> <p>18 Shapiro to discuss this in more detail.</p> <p>19 Q Then tell me about the discussion with Mr. Shapiro.</p> <p>20 A As I recall, we walked through the memo to make sure that</p> <p>21 we understood the various pieces, asked some questions</p> <p>22 about it, and then considered the alternative as a staff.</p> <p>23 Q And what were the considerations the staff took into</p> <p>24 account?</p> <p>25 A Well, there were several. Because, again, we're talking</p>

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<p>1 BOB COOK</p> <p>2 about a number of different tranches here, and given the</p> <p>3 complexity of the different tranches and the implicit</p> <p>4 complexity, specifically with the swap portion, on the</p> <p>5 swap portion, for instance, state law, we would have</p> <p>6 required a swap policy, which we did not have in place.</p> <p>7 We'd have to consider all of the swap risks, of</p> <p>8 which about eight or ten are identified in the state swap</p> <p>9 guidelines. Counterparty risk, basis risk, a myriad of</p> <p>10 different things.</p> <p>11 We weren't comfortable going into a swap kind of</p> <p>12 transaction on this at this point in time. Again, there</p> <p>13 was a lot of credit risk in the market. The combined</p> <p>14 rate overall, even at the two -- what was the rate you</p> <p>15 quoted?</p> <p>16 Q It's on the third page, 2.6 percent. It's like a</p> <p>17 stand-alone sentence.</p> <p>18 A Oh, there it is, yeah. The 2.6 percent rate we felt in</p> <p>19 November of 2011, again, we felt that in 2012 was when</p> <p>20 interest rates were going to begin to rebound, and we</p> <p>21 were concerned about entering into any kind of long-term</p> <p>22 agreement that would lock us into a -- a rate that would</p> <p>23 not be advantageous within a year or two.</p> <p>24 Q Were there any other considerations that led you not to</p> <p>25 follow the recommendations reflected in this memorandum</p>	<p>1 BOB COOK</p> <p>2 MS. SAWYER: We can go off the record.</p> <p>3 (Signature reserved.)</p> <p>4 (Deposition concluded at</p> <p>5 12:03 p.m.)</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1 BOB COOK</p> <p>2 from Swap Financial Group?</p> <p>3 A Again, when it comes to CD's and banks, we were -- would</p> <p>4 not be protected by FDIC. We weren't really excited</p> <p>5 about being exposed to a lot of credit risk to any</p> <p>6 particular bank or institution.</p> <p>7 Again, we weren't interested in a noncollateralized</p> <p>8 GIC. We had to have all of the principal available every</p> <p>9 six months. So a myriad of reasons, we weren't</p> <p>10 interested ultimately in the proposal.</p> <p>11 Q Did you ever discuss with the finance team or bond</p> <p>12 counsel the possibility of amending the indenture to not</p> <p>13 have the funds be liquid every six months?</p> <p>14 MS. EVANSON: And I'm going to object</p> <p>15 to the extent you're asking for communications with</p> <p>16 counsel.</p> <p>17 MS. SAWYER: I'm just asking if he</p> <p>18 ever asked that question, but if you want to instruct,</p> <p>19 that's fine.</p> <p>20 MS. EVANSON: You can answer if they</p> <p>21 took place, but --</p> <p>22 THE WITNESS: I don't recall any.</p> <p>23 MS. SAWYER: I don't have any further</p> <p>24 questions for the 30(b)(6) part of the deposition.</p> <p>25 MS. EVANSON: Okay.</p>	<p>1 STATE OF WASHINGTON) I, Cindy M. Koch, CCR, RPR, CRR,</p> <p>2) ss CLR, a certified court reporter</p> <p>3 County of Pierce) in the State of Washington, do</p> <p>4 hereby certify:</p> <p>5</p> <p>6 That the foregoing deposition of BOB COOK was</p> <p>7 taken before me and completed on December 6, 2013, and</p> <p>8 thereafter was transcribed under my direction; that the</p> <p>9 deposition is a full, true and complete transcript of the</p> <p>10 testimony of said witness, including all questions, answers,</p> <p>11 objections, motions and exceptions;</p> <p>12 That the witness, before examination, was by me</p> <p>13 duly sworn to testify the truth, the whole truth, and</p> <p>14 nothing but the truth, and that the witness reserved the</p> <p>15 right of signature;</p> <p>16</p> <p>17 That I am not a relative, employee, attorney or</p> <p>18 counsel of any party to this action or relative or employee</p> <p>19 of any such attorney or counsel and that I am not</p> <p>20 financially interested in the said action or the outcome</p> <p>21 thereof.</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>IN WITNESS WHEREOF, I have hereunto set my</p> <p>signature on December 11, 2013.</p> <p>26</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>Cindy M. Koch, CCR, RPR, CRR, CLR</p> <p>Certified Court Reporter No. 2357.</p>